

2018 Big Data Report on White-collar Crimes



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Foreword

In recent years, the number of fraud crimes in Mainland China has remained high. According to the 2018 Annual Report of the Association of Certified Fraud Examiners (ACFE), corporate frauds occurred in more than 125 different countries throughout the world in the previous year, causing losses of more than US\$7 billion to the enterprises involved. Understanding the current status of frauds, seeking effective ways to respond to frauds, and preventing frauds at their roots are becoming important things that more and more enterprises show interest in and expect to do.

The number of commonly-seen fraud crimes, such as occupational embezzlement and misappropriation of funds, remains high, and new patterns of frauds are emerging, involving a wider spectrum of crimes, such as infringement upon citizens' personal information and computer-related crimes. For example, an employee of a well-known online shopping platform company stole the personal information of consumers (e.g., names, nicknames, mobile phone numbers, bank account numbers and other information that can be directly personally identifiable) that had been retained by the company by using the source codes in the company's computers and sold the same. Such acts did not only infringe upon the personal information of the citizens but also undermined the confidential management of the computer information, and ultimately took a heavy toll on the company and the general public.

Fraud crimes and judicial trials are a matter of sustained concern and a topic of study to the RICC Corporate Internal Control and Anti-Fraud Law Center, a professional anti-fraud legal service provider. Based on the criminal precedents for cases of fraud crimes for which severe criminal punishments were imposed, such as commonly-seen occupational embezzlement, misappropriation of funds, commercial bribery, infringement upon citizens' personal information, use of computers to commit frauds, etc., that occurred in 2018 in Beijing, Shanghai, Jiangsu, Zhejiang, Guangdong, Tianjin and Chongqing, we conducted a detailed data analysis, hoping to find a more effective and targeted way to counteract frauds for enterprises in light of the current status and characteristics of various types of frauds.

Description of the Big Data Report

I. Purpose of the Research

The present research focuses on the commonly-seen criminal offenses in cases of frauds: crime of occupational embezzlement, crime of misappropriating funds, crime of accepting bribes by non-state functionaries, crime of infringing upon citizens' personal information, crime of illegally obtaining computer information system data, crime of illegally controlling computer information systems, crime of destroying computer information systems (the last three criminal offenses may be collectively referred to as "Crimes of Computer-related Fraud").

This Report has not included the statistics on such criminal offenses as infringements upon trade secrets, embezzlement, misappropriation of public funds, and acceptance of bribes. The reason for this is that as provided in the Criminal Procedure Law of the People's Republic of China, cases involving trade secrets may be tried in closed court sessions if the parties concerned so apply, and in judicial practice, almost all criminal cases of infringement of trade secrets are tried in closed court sessions, so there are no effective precedents available for analysis. In addition, by definition, such criminal offenses as embezzlement, misappropriation of public funds, and acceptance of bribes, etc. are committed by state functionaries, so this group of people is also not analyzed in this Report.

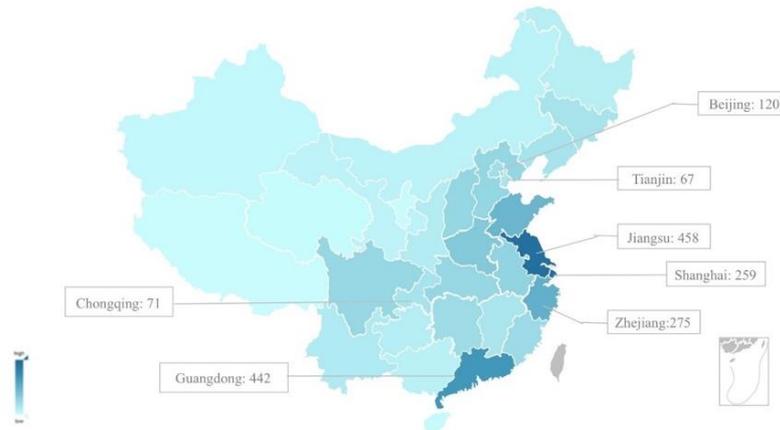
This Report collects the data on the cases of employee fraud crimes commonly seen in 2018 in key provinces and municipalities directly under the central government that are publicly available online. It aims at providing input for improvement of corporate governance mechanisms, effective prevention of, and investigation into employee frauds, and promotion of healthy development of enterprises by producing statistics on precedents and revealing the features and characteristics of fraudsters and fraud crimes.

II. Source of Data on Cases

The judgments which this research report is based on are sorted out through the Alpha case database and the sources of the data are authoritative websites such as China Judgments Online (<http://wenshu.court.gov.cn>), Peking University Center for Legal Information (<https://www.pkulaw.com/>), www.faxin.cn, etc.

The regions where the cases covered in this research report occurred are in principle limited to Beijing, Shanghai, Zhejiang, Jiangsu, Guangdong, Tianjin and Chongqing, which are the provinces and municipalities directly under the central government where Chinese enterprises are concentrated. According to statistics, the number of cases of fraud crimes closed in the first instance in 2018 in the above-mentioned regions accounted for 47.95% of the nationwide total number of such cases, indicating that the cases occurred in such regions are represented in terms of both geographical characteristics and the number of cases.

Number of cases of fraud crimes in 2018



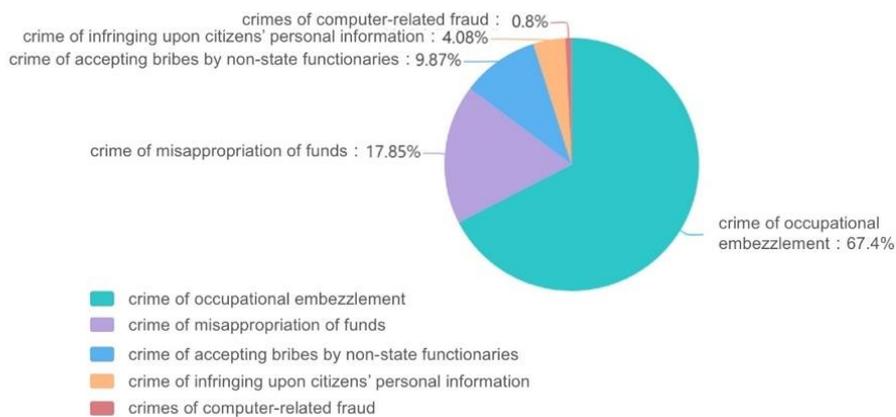
The judgments covered in this research report were handed down in the period from January 1, 2018, to December 31, 2018.

Following the above-mentioned principles, a total of 1,641 valid judgments were obtained for the present research, with the number of defendants in different cases being 1,767. The judgments were collected on July 21, 2019.

Among the cases, the cases of occupational embezzlement formed the majority, with the number thereof being 1,106, accounting for 67.4% of the total; the number of cases of misappropriation of funds was 293, accounting for 17.85% of the total; the number of crimes of accepting bribes by non-state functionaries was 162, accounting for 9.87% of the total; and the number of cases of infringement upon citizens' personal information was 67, accounting for 4.08% of the total, and the number of cases of crimes of computer-related fraud was 13, accounting for 0.8% of the total.

There was a certain gap between the number of cases of accepting bribes by non-state functionaries and computer-related crimes covered in the statistics produced in the present research, which was low, and the actual number of victim enterprises, indicating the stealth of the above two types of cases and difficulty in investigation and evidence collection.

Number of different fraud crimes



III. Description of Statistical Indicators

In this Report, statistical indicators in terms of information about victim enterprises, information about perpetrators, criminal penalties, and patterns of frauds are created with a view to accurately revealing the characteristics of fraud perpetrators and the corresponding crimes and analyzing the impact of realistic factors on fraud crimes. Among others;

(I) The indicators in terms of information about victim enterprises include nature and size of the enterprises, type of industry, information about the listing, etc.

(II) The indicators in terms of information about perpetrators include gender, age, education, position, role, length of employment, previous convictions, bad records, etc.

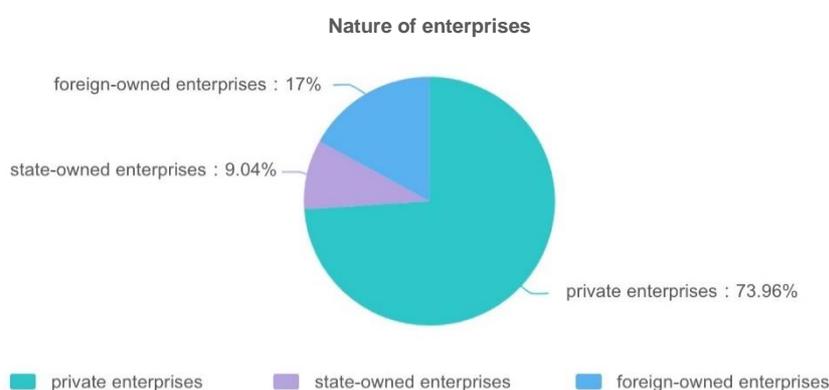
(III) The indicators in terms of criminal penalties include criminal coercive measures, restitution, the forgiveness of victim enterprises, voluntary surrender, confession, meritorious service, lighter penalties, mitigated penalties, heavier penalties, principal punishments, probation, and supplementary punishments, etc.

(IV) The indicators in terms of patterns of frauds vary by criminal offenses, and will be detailed in the following analysis of the characteristics of criminal offenses constituting frauds.

Part I Analysis of Information About Victim Enterprises

I. Nature of enterprises

By nature of enterprises, this Report classifies victim enterprises into state-owned enterprises, private enterprises and foreign-owned enterprises. According to the valid data available, the number of cases of fraud crimes where private enterprises were involved was 818, accounting for 73.96% of the total; that where state-owned enterprises were involved was 100, accounting for 9.04% of the total; and that where foreign-owned enterprises were involved was 188, accounting for 17% of the total.

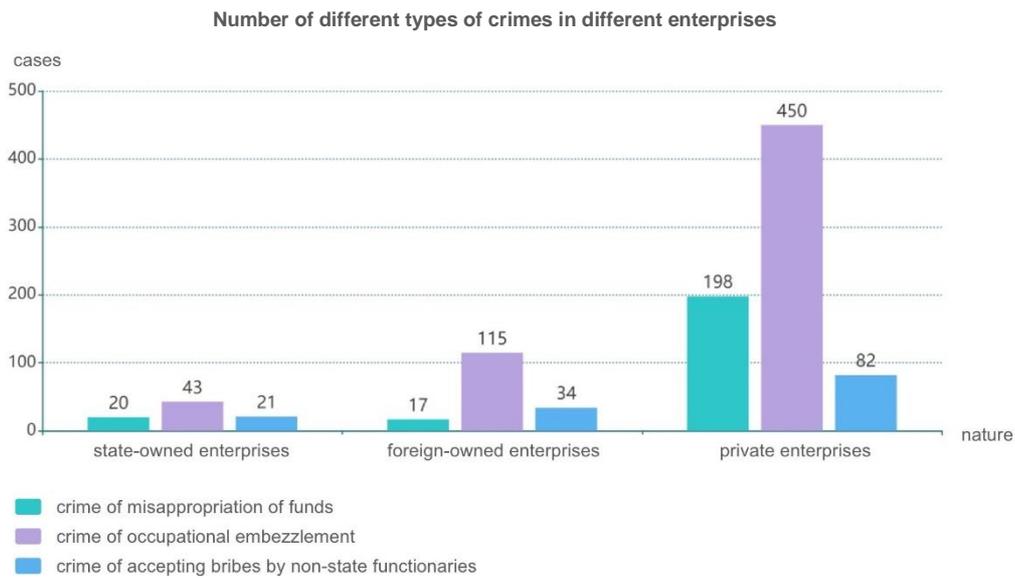


According to the statistics of the National Bureau of Statistics of China, the number of private enterprises in China accounts for more than 90% of the total number of enterprises, and such an enormous number directly leads to the high absolute number of fraud crimes in private enterprises.

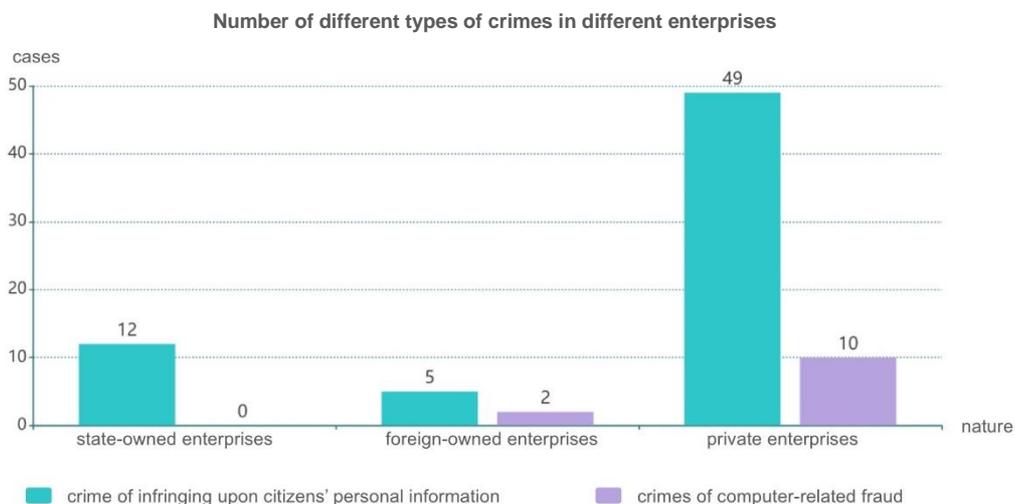
The number of cases of fraud crimes where foreign-owned enterprises were involved was the second largest. In addition to sound management systems of the foreign-owned enterprises, the reason for this was that the will of foreign-owned enterprises to hand their employees who had committed fraud crimes over to judicial authorities for investigation and handling was weak.

There are fewer cases of frauds in state-owned enterprises. The reasons for this are as follows: first, the management systems of state-owned enterprises are relatively sound, and the enterprises have discipline inspection commissions, supervision commissions and other internal supervision organizations; and second, fraud-related acts of state functionaries in state-owned enterprises would constitute crime of embezzlement, crime of accepting bribes, crime of misappropriating public funds, etc., which were not covered by the survey addressed in this Report. The personnel of state-owned enterprises addressed in this Report refer to the personnel who perform "labor services" from state-owned enterprises (i.e., non-state functionaries) only, the number of whom is relatively small.

Specifically, with regard to the three types of crimes of financial fraud involving employees of state-owned enterprises, there were 43 cases of crime of occupational embezzlement, 20 cases of crime of misappropriation of funds, and 21 cases of crime of accepting bribes by non-state functionaries. The number of cases of the three types of crimes involving foreign-owned enterprises was 115, 17, and 34 respectively. The number of cases of the three types of crimes involving private enterprises was 450, 198, and 82 respectively.

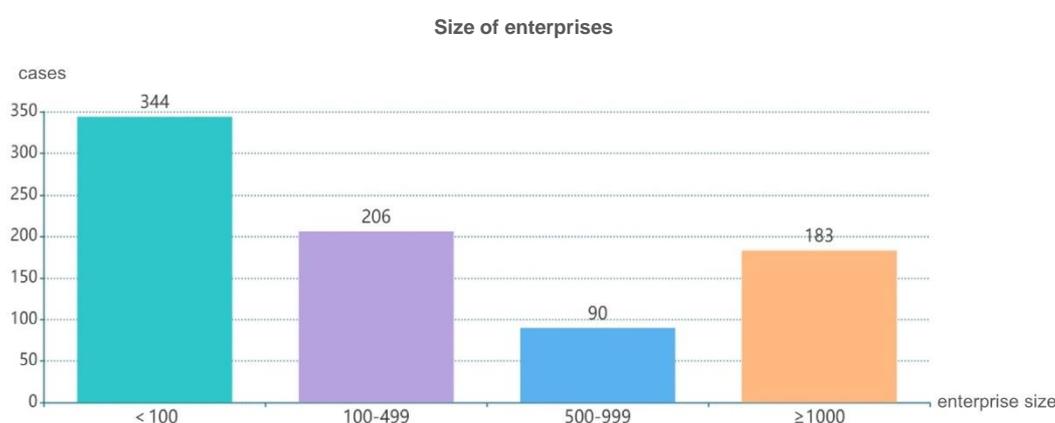


In another two types of fraud crimes, the absolute number of fraud crimes involving private enterprises still remained the highest. It is worth noting that there were relatively more crimes of infringing upon citizens' personal information involving state-owned enterprises (especially banks, etc.).



II. Size of Enterprises

The enterprises may be divided by size into enterprises with less than 100 employees, enterprises with 100 to 499 employees, enterprises with 500 to 999 employees, and enterprises with 1,000 employees or more based on actual situations. The size of enterprises is determined only based on the number of employees. Among the 1,641 cases in total, there are 823 cases where the number of employees of enterprises was available, including 344 cases involving enterprises with less than 100 employees, 206 cases involving enterprises with 100 to 499 employees, 90 cases involving enterprises with 500 to 999 enterprises, and 183 cases involving enterprises with 1,000 employees or more.



The above chart shows that the number of fraud cases involving small-sized enterprises with less than 100 employees was 344, taking the largest proportion; that of fraud cases involving medium-sized enterprises with 100 to 499 employees was 206; that of fraud cases involving medium-sized enterprises with 500 to 999 employees was 90; and that of fraud cases involving large enterprises with 1,000 employees or more was 183. It is worth noting that the number of criminal fraud cases involving large enterprises with 1,000 employees or more exceeds that of criminal fraud cases involving medium-sized enterprises with 500 to 999 employees.

The above characteristics are closely related to the enterprise development cycle. Small-sized enterprises with less than 100 employees are often in their initial stage, with an urgent demand for the business and profit growth, so they tend to overlook necessary internal controls.

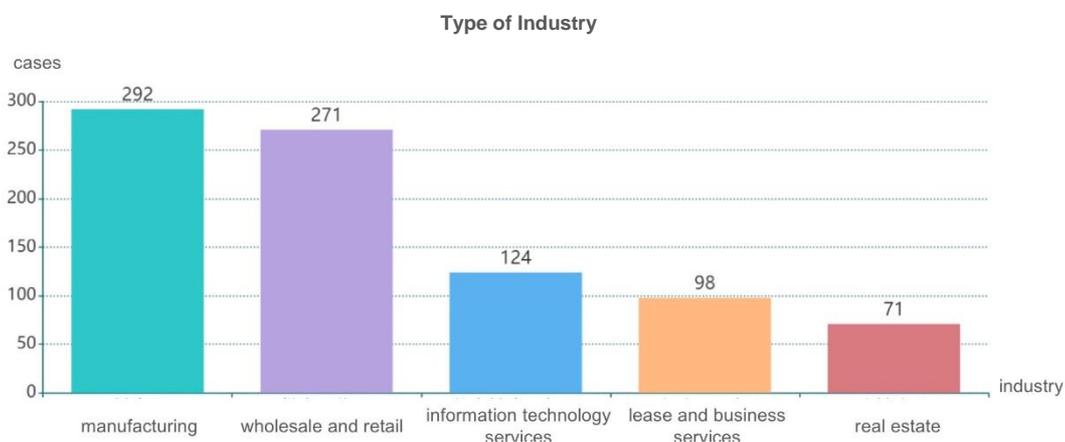
Medium-sized enterprises with less than 1,000 employees have gradually gotten on the right track and will consider more about the normativity of management mechanisms, thus preventing, to some extent, the breeding of fraud.

With a stable organizational structure and good operating status, large enterprises with 1,000 employees or more have set up sound departments such as the internal audit department and supervision department. In addition to taking preventive measures, they also conduct internal investigations through self-examination and self-correction and transfer those who commit a fraud crime to judicial organs. This is why there are relatively more fraud crimes involving enterprises with 1,000 employees or more.

III. Type of Industry

The type of industry in which the victim enterprises operate is determined by reference to that indicated on the qichacha.com, which includes 20 industries groups as specified in the *National Standards of the People’s Republic of China - Industrial Classification for National Economic Activities (GB/T 4754-2017)*.

In all cases available, there were 1,122 cases where the type of the industry in which the victim enterprises operate was recorded. The top five industries in terms of the number of fraud cases were manufacturing, wholesale and retail, information technology services, lease and business services, and real estate, accounting for 76.29% of the total. The education industry (4 cases) and the culture, sports and entertainment industry (2 cases) saw the fewest fraud cases.

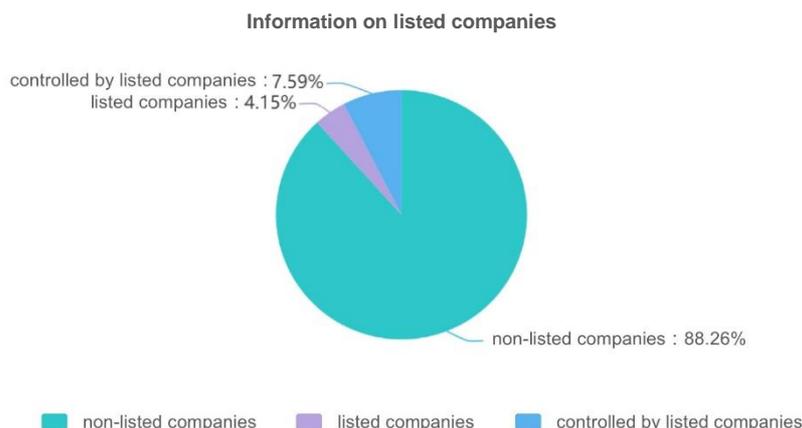


The manufacturing industry and the wholesale and retail industry saw the most fraud cases, accounting for 26.02% and 24.15% respectively. These two industries are typical production and sales industries in which a large number of purchase and sales businesses are involved in daily business operations. As a large number of people are involved in such links as a business negotiation, signing of a contract, receipts and payments, fund flow and circulation, frauds are easy to commit.

It is worth noting that fraud cases in emerging industries represented by the information technology services and Internet companies have been increasing, accounting for 11.05%. On the one hand, the computer-related frauds and frauds of infringement upon citizens’ personal information are directly related to the nature of the industry. On the other hand, it embodies the high-profile treatment of frauds in the Internet industry in recent years.

IV. Information on Listed Companies

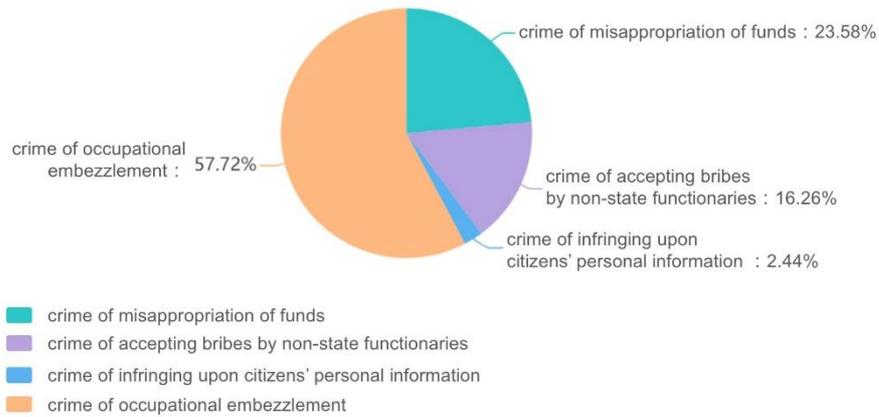
In accordance with relevant provisions of Section V of Chapter IV of the *Company Law of the People’s Republic of China*, listed companies refer to companies whose shares have been approved for trading at stock exchanges by the State Council or by the securities administration department authorized by the State Council (overseas-listed companies are not included in the statistics of this Report).



In all victim enterprises, there were 46 cases of fraud crime involving listed companies and 84 cases involving enterprises controlled by listed companies, totaling 130 cases, accounting for 11.74% of the total. Fraud cases caused losses of RMB 156 million in total to listed companies, among which, the case involving the largest amount was about the misappropriation of funds of RMB 17 million, which occurred in the lease and business service industry. The average amount involved in fraud cases involving listed companies was RMB 1,265,800, and that involving non-listed companies was RMB 1,185,100.

Fraud cases involving listed companies are classified by crimes as follows: 71 cases of crime of occupational embezzlement, 29 cases of crime of misappropriation of funds, 20 cases of crime of accepting bribes by non-state functionaries, and 3 cases of crime of infringing upon citizens’ personal information. According to the statistics, there was no crime of computer-related fraud involving listed companies.

The number of fraud crimes on listed companies



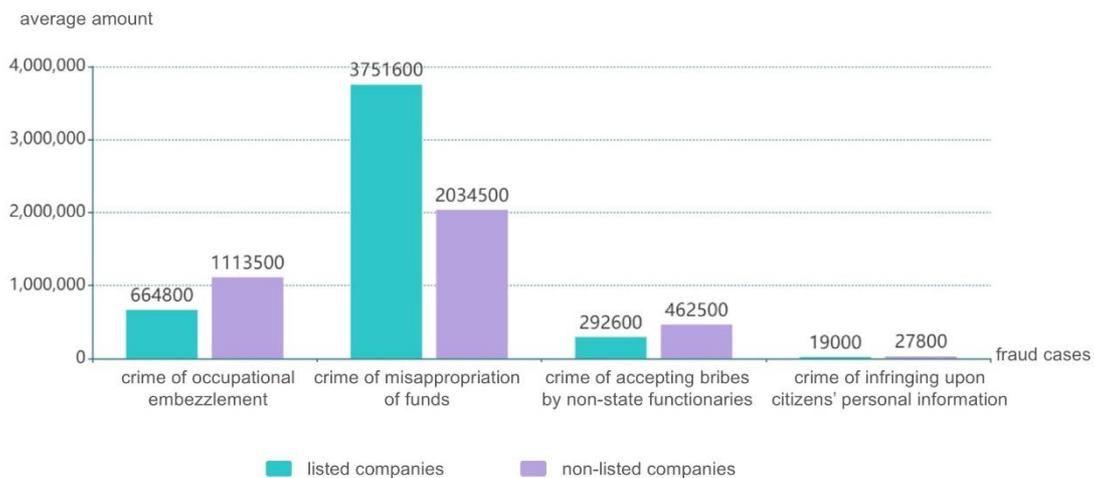
Specifically, the crime of occupational embezzlement caused an average loss of RMB 664,800 to listed companies and RMB 1,113,500 to non-listed companies.

With regard to the crime of misappropriation of funds, the average amount involved in the cases involving listed companies was RMB 3,751,600 and that involving non-listed companies was RMB 2,034,500.

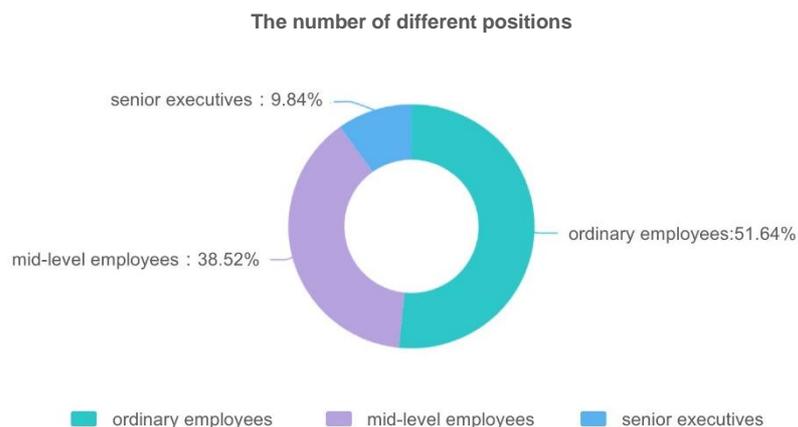
With regard to the crime of accepting bribes by non-state functionaries, the average amount of bribes accepted by listed company employees was RMB 292,600 and that accepted by non-listed company employees was RMB 462,500.

With regard to the crime of infringing upon citizens' personal information, the average amount of profit illegally obtained by listed company employees was RMB 19,000 and that illegally obtained by non-listed company employees was RMB 27,800.

Average loss of fraud crimes on listed companies



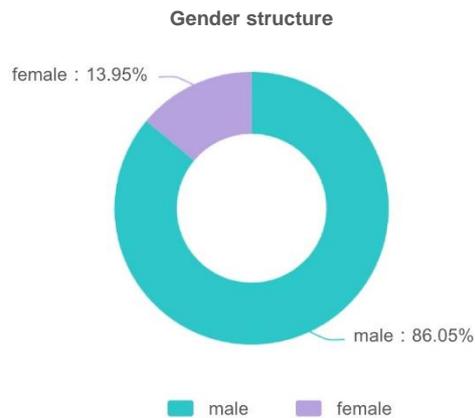
In the criminal fraud cases involving listed companies, there were 63 ordinary employees, 47 mid-level employees, and 12 senior executives involved. The mid-level employees and senior executives of listed companies involved in the cases accounted for 48.36% of the total employees involved, slightly higher than that (43.77%) of mid-level employees and senior executives of non-listed companies.



Part II Analysis of Fraud Perpetrators

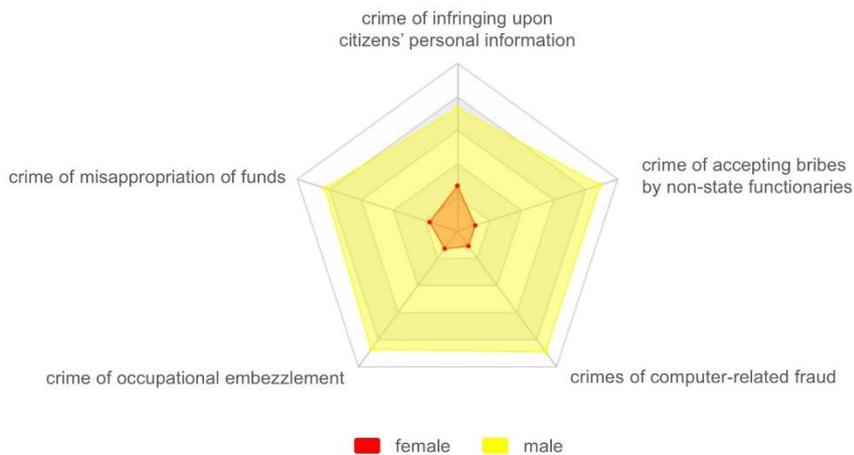
I. Gender Structure

The gender difference in fraud crimes is relatively significant. According to statistics, there were 1,425 males involved, accounting for 86.05%, and 231 females, accounting for 13.95% after removing the cases where gender information was not available. The number of males is about 6 six times that of females.



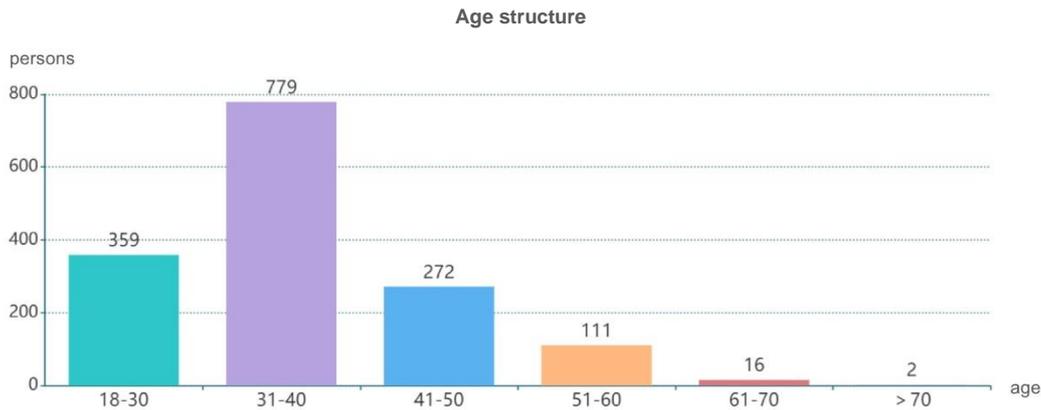
With regard to the specific types of fraud crimes, the proportion of women committing the crime of infringing upon citizens' personal information and the crime of misappropriation of funds was slightly significant, which was 26.98% and 17.13% respectively.

Statistics on gender structure and different types of fraud crimes



II. Age Structure

There were 1,539 fraud perpetrators whose age information was available, including 359 persons younger than 30, 779 persons aged between 31 and 40, 272 persons aged between 41 and 50, 111 persons aged between 51 and 60, 16 persons aged between 61 and 70, and 2 persons over 70.



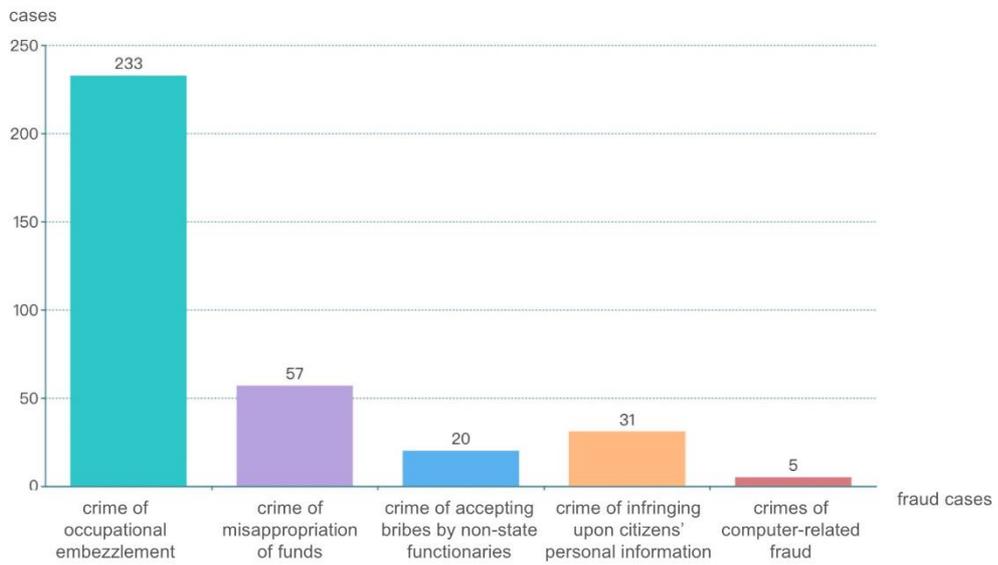
Fraud perpetrators were mainly young and middle-aged people, with an average age of 35. Among them, the number of young and middle-aged people aged between 31 and 40 is the largest, accounting for 50.62%.

On the one hand, young and middle-aged people aged between 31 and 40 usually have worked for more than 5 years, with certain work experience and social experience, and they basically constitute the backbone of enterprises. They also have a certain authority in the specific work and have a say in such aspects as execution and decision-making. Therefore, people in this age group have the convenience of position in the broad sense and meet the basic conditions for committing frauds. On the other hand, people in this age group often have just started a family. The sharply increasing economic pressures, such as house mortgage, family expenses, and child-raising costs, make their career development and salary levels difficult to meet their demands in a short run, thus generating fraud motives.

For the perpetrators aged between 18 and 30, there were 233 cases of crime of occupational embezzlement, 57 cases of crime of misappropriation of funds, 31 cases of crime of infringing upon citizens' personal information, 20 cases of crime of accepting bribes by non-state functionaries, and 5 cases of crimes of computer-related fraud.

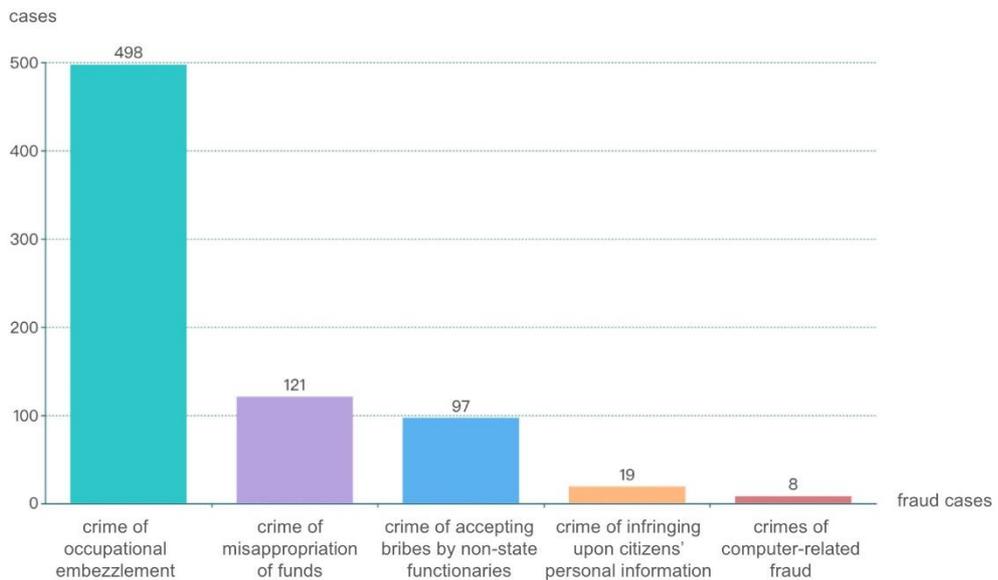
Employees younger than 30 years old have grown with the rapid development of networks and computers, and they are more likely to accept such new emerging things and specialized knowledge. From a professional point of view, this group meets the objective requisites of the crime of infringing upon citizens' personal information and computer-related crimes.

Ages between 18 and 30



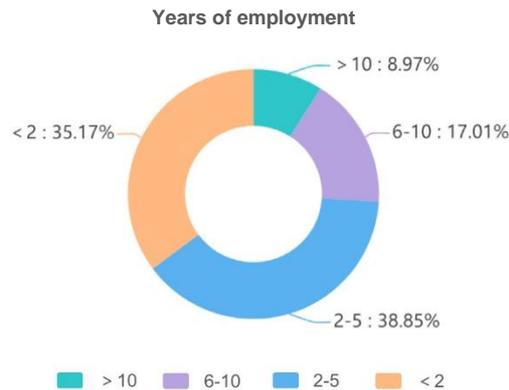
For the perpetrators aged between 31 and 40, there were 498 cases of crime of occupational embezzlement, 121 cases of crime of misappropriation of funds, 97 cases of crime of accepting bribes by non-state functionaries, 19 cases of crime of infringing upon citizens' personal information, and 8 cases of crimes of computer-related fraud.

Ages between 31 and 40



III. Years of Employment

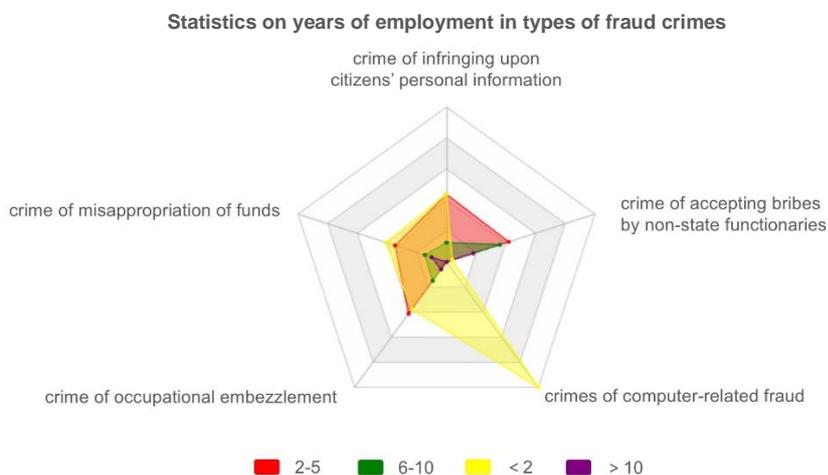
There were 435 fraud perpetrators whose years of employment were available. Among them, there were 153 persons with less than 2 years of employment, 169 persons with 2 to 5 years of employment, 74 persons with 6 to 10 years of employment, and 39 persons with more than 10 years of employment. People with less than 5 years of employment were more prone to commit fraud crimes, accounting for 74.02% of the total.



There were 322 cases of fraud crime committed by perpetrators with less than 5 years of employment, with the total amount involved being RMB 465 million and the average amount involved in a case being RMB 1,444,100.

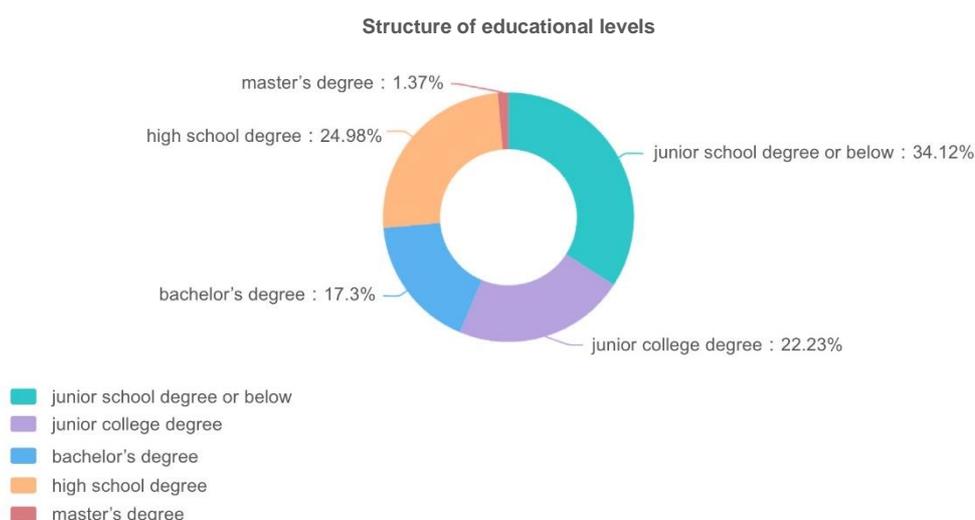
There were 113 cases of fraud crime committed by perpetrators with no less than 5 years of employment, with the total amount involved being RMB 240 million and the average amount involved in the cases being RMB 2,118,500.

Analyzed in combination with the specific types of crimes, there are the following outstanding features: All perpetrators involved in crimes of computer-related fraud had less than 2 years of employment. Perpetrators with no less than 10 years of employment were all involved in the three types of crimes of financial fraud, i.e., the crime of occupational embezzlement, the crime of misappropriation of funds, and crime of accepting bribes by non-state functionaries.



IV. Structure of Educational Levels

There were 1,237 accused employees whose educational level was available, including 422 persons with a junior school degree or below, 309 persons with a high school degree, 275 persons with a junior college degree, 214 persons with a bachelor's degree, and 17 persons with a master's degree. Overall, the proportions of fraud perpetrators with different educational levels are slightly different, except the fraud perpetrators with a master's degree or above.

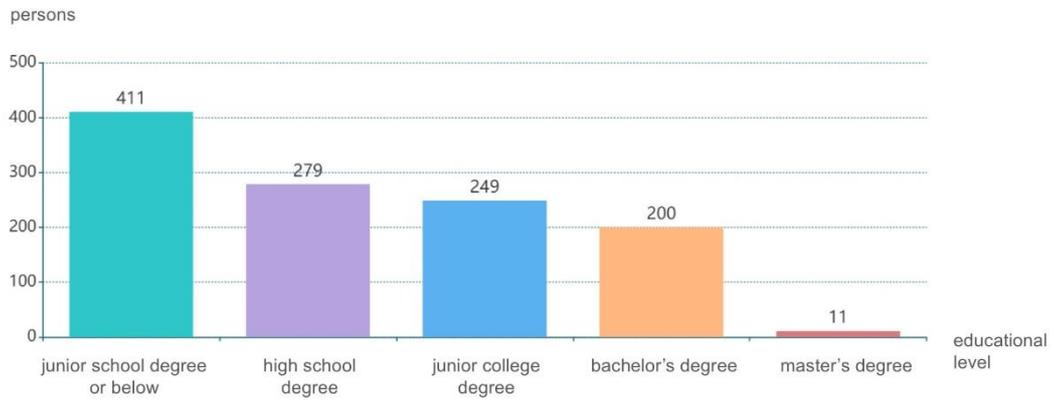


There were 731 cases of fraud crime in which the perpetrators were with a high school degree or below, with the total amount involved being RMB 541 million and the average amount involved in the cases being RMB 740,100.

There were 506 cases of fraud crime in which the perpetrators were with a junior college degree or above, with the total amount involved being RMB 1.003 billion and the average amount involved in the cases being RMB 1,982,200.

The proportions of fraud perpetrators with different educational levels vary with the specific types of fraud crimes, which will be detailed in the analysis of the behavior characteristics of different frauds. It is obvious that perpetrators involved in the crimes of financial fraud, such as the crime of occupational embezzlement, the crime of misappropriation of funds, and crime of accepting bribes by non-state functionaries, were mainly low educated. There were 411 perpetrators with a junior school degree or below, 297 with a high school degree, 249 with a junior college degree, 200 with a bachelor's degree, and 11 with a master's degree.

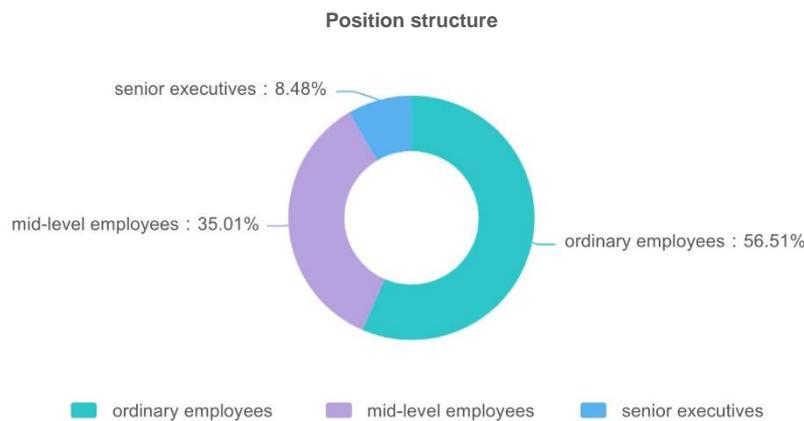
Statistics on educational levels in the crimes of financial fraud



As there are certain thresholds for crimes of computer-related fraud, there were 5 perpetrators with a junior college degree and 3 with a bachelor's or master's degrees, the educational level of whom was all above the high school degree.

V. Position Structure

This Report classifies the fraud perpetrators by position as ordinary employees, mid-level employees, and senior executives. Ordinary employees refer to those who do not assume any management responsibilities; mid-level employees refer to those who assume part of the management responsibilities at the level of department, team, etc.; senior executives refer to those who assume management and decision-making responsibilities at the company level, mainly including directors (chairman), (deputy) general manager, financial officer, etc.



According to the valid data available, there were 1,628 accused employees, including 920 ordinary employees, 570 mid-level employees, and 138 senior executives. Although the senior executives accounted for only 8.48%, the losses caused by fraud cases involving senior executives were even greater.

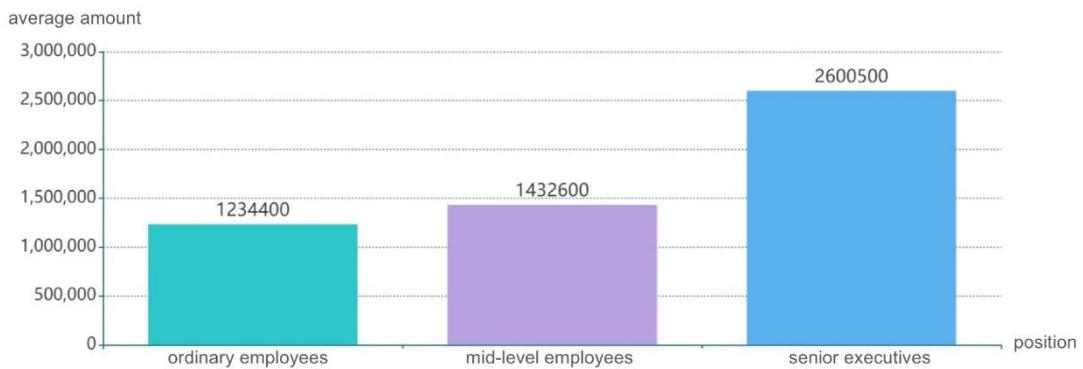
Analyzed in combination with the specific types of fraud crimes committed by ordinary employees, there were 597 cases of crime of occupational embezzlement, 165 cases of crime of misappropriation of funds, 49 cases of crime of accepting bribes by non-state functionaries, 57 cases of crime of infringing upon citizens' personal information, and 14 cases of crimes of computer-related fraud. The number of cases of these types of fraud crimes committed by mid-level employees was 333, 96, 113, 10, and 2 respectively. The number of cases of these types of fraud crimes committed by senior executives was 60, 38, 31, 1, and 3 respectively. It can be seen from these figures that the crime of accepting bribes by non-state functionaries was obviously related to the position of perpetrators, and the proportion of cases involving mid-level employees and senior executives was relatively high.

Position structure in types of fraud crimes



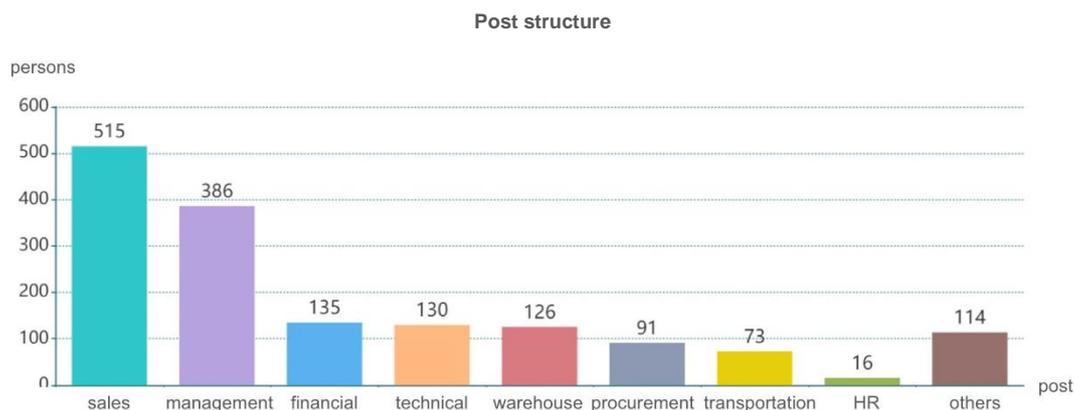
The position of perpetrators was obviously related to the amount involved. The average amount involved in the cases involving senior executives was RMB 2,600,500, RMB 1,432,600 higher than that (RMB 1,234,400) involved in a case involving ordinary employees.

Statistics on average amount and different positions



VI. Post Structure

There were 1,586 fraud perpetrators whose post information was available, including 515 sales personnel, 386 management personnel (the company’s directors, general manager, deputy general manager, manager of logistics management department, etc.), 135 financial personnel, 130 technical personnel, and 126 warehouse personnel. Only 16 HR personnel were involved in fraud crimes, taking the smallest proportion.



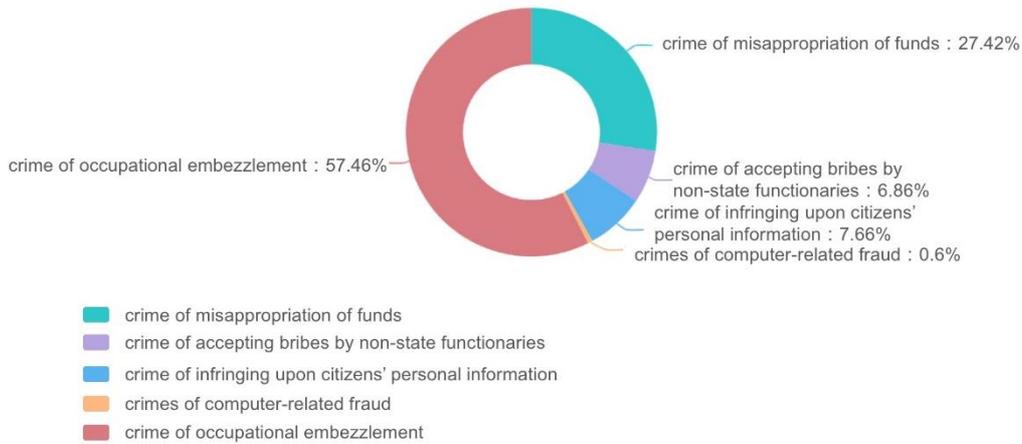
Personnel holding the posts of sales, management (manager) and financial (cashier) were more prone to commit fraud crimes, accounting for 65.32% of the total.

In addition, the technical post that is more strongly correlated with the crimes of computer-related fraud and the crime of infringing upon citizens’ personnel information ranked the fourth. This also reveals the issues concerning the operation and maintenance of information systems that are often overlooked in internal control activities, such as the failure of enterprises to establish an information system security and leakage accountability system, the disorganized management of access to personal information, and the cross operation of incompatible job accounts.

Procurement personnel are generally deemed to be more likely to commit fraud crimes. But in the actual adjudication of cases, there were relatively few cases involving procurement personnel, indicating the great difficulty in discovering frauds committed by procurement personnel and filing cases against them. There are many underlying factors for the frequent occurrence of frauds committed by the personnel holding the above posts, for example, the lack of a rotation system and a supplier access system involved in the procurement post; lax registration of sales accounts and lax review of sales contracts involved in the sales post; poor tracking control of the accounting system in the process of receipts and payments and the failure to implement the separation of incompatible duties and other internal control principles.

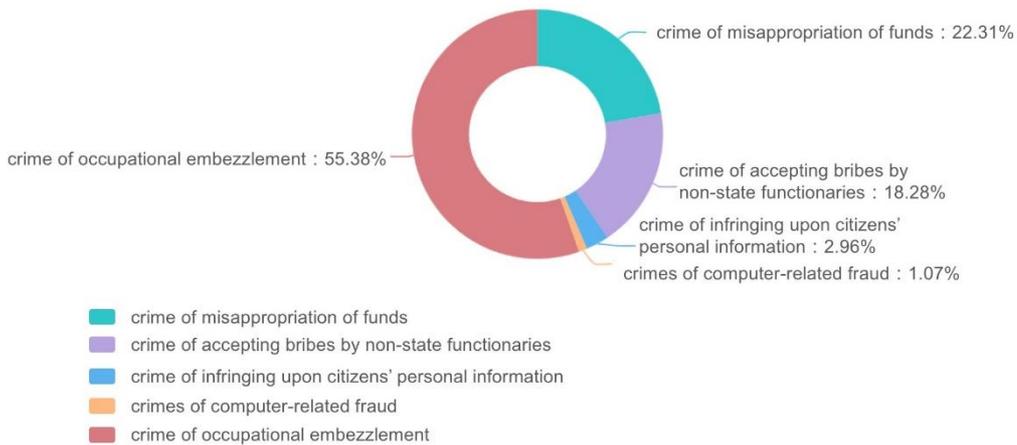
Among the fraud crimes committed by sales personnel, there were 285 cases of crime of occupational embezzlement, 136 cases of crime of misappropriation of funds, 38 cases of crime of infringing upon citizens’ personal information, 34 cases of crime of accepting bribes by non-state functionaries, and 3 cases of crimes of computer-related fraud.

Cases of fraud crimes committed by sales personnel



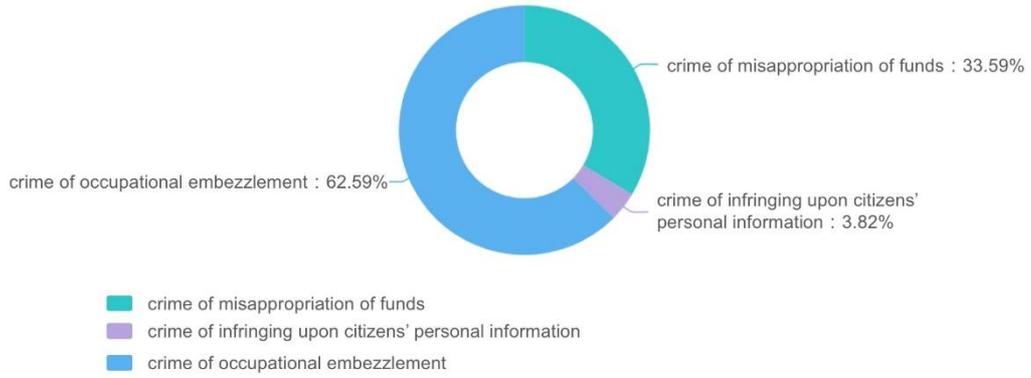
Regarding the fraud crimes committed by management personnel, there were 206 cases of crime of occupational embezzlement, 83 cases of crime of misappropriation of funds, 68 cases of crime of accepting bribes by non-state functionaries, 11 cases of crime of infringing upon citizens' personal information, and 4 cases of crimes of computer-related fraud.

Cases of fraud crimes committed by management personnel



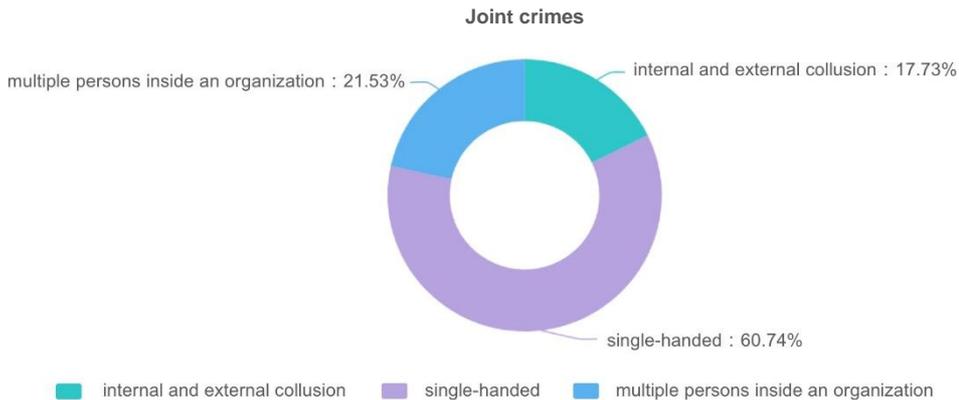
Regarding the fraud crimes committed by financial personnel, there were 82 cases of crime of occupational embezzlement, 44 cases of crime of misappropriation of funds, and 5 cases of crime of accepting bribes by non-state functionaries.

Cases of fraud crimes committed by financial personnel



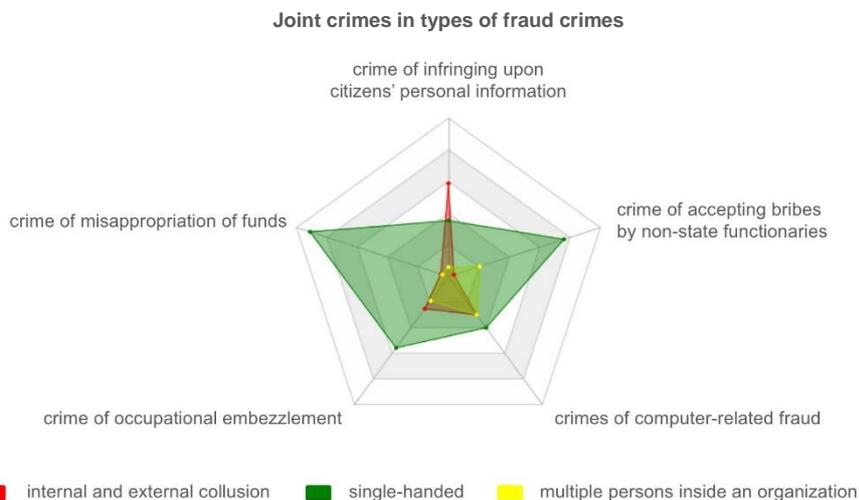
VII. Joint Crimes

Regarding the fraud crimes described in this Report, there were 693 cases of joint crimes, accounting for 39.26% of the total. Regarding the joint crimes, there were 313 cases involving multiple persons inside an organization and 380 cases involving the internal and external collusion.

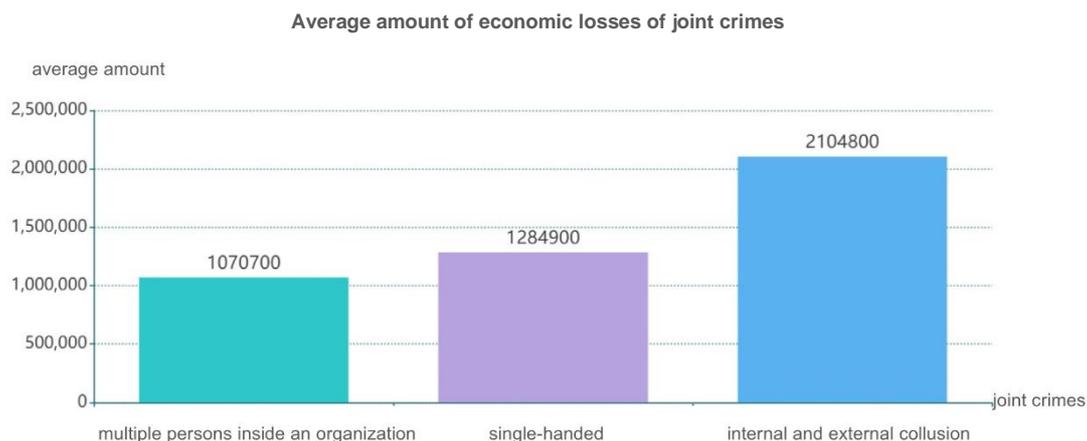


Analyzed in combination with the specific types of fraud crimes, the cases of misappropriation of funds, cases of accepting bribes by non-state functionaries, and cases of crime of occupational embezzlement which were committed by perpetrators alone accounted for a higher proportion, up to 89.54%, 75.89%, and 52.55% respectively.

Regarding the crime of infringing upon citizens’ personal information, the cases involving the internal and external collusion took a higher proportion, up to 58.82%. Generally, a crime of infringing upon citizens’ personal information occurs when external personnel purchase citizens’ personal information from employees of a company for the purpose of promotion of products. Regarding the crimes of computer-related fraud, there was no collusion between the staffs inside and outside an organization.



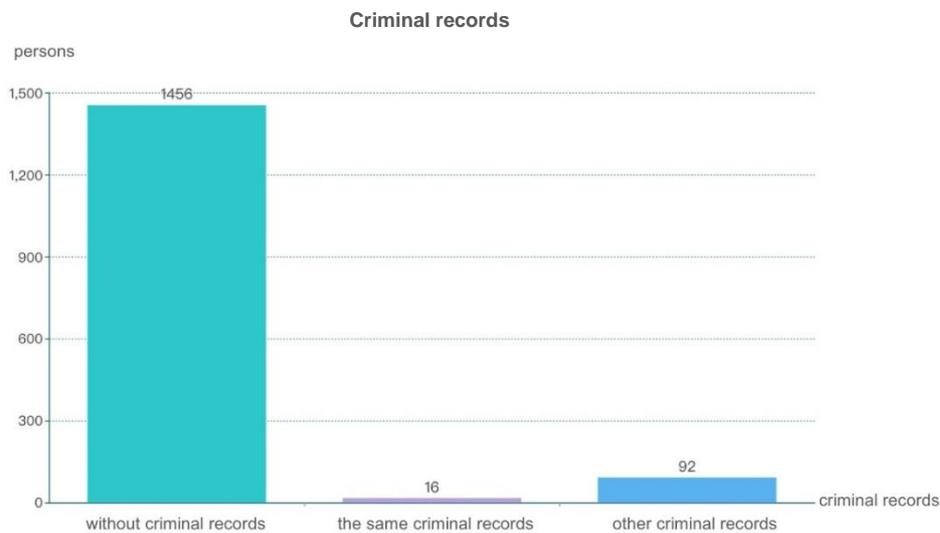
From the perspective of economic losses caused by fraud crimes to enterprises, the fraud crimes involving internal and external collusion caused the most serious losses, and the average amount involved in the cases was RMB 2,104,800. The average amount involved in the cases where there was no accomplice was RMB 1,284,900. The losses caused by fraud crimes committed by multiple persons inside an organization was relatively small, and the average amount involved in the cases was RMB 1,070,700.



VIII. Criminal Records

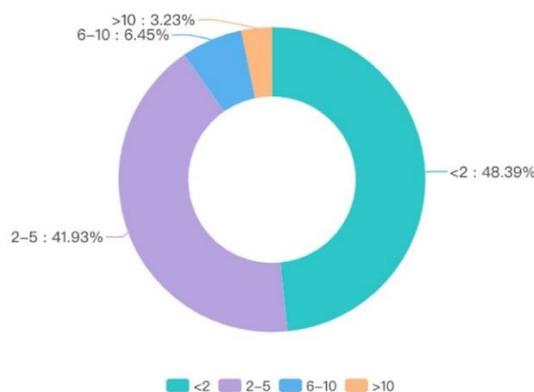
Criminal records refer to other criminal and administrative punishments imposed on a perpetrator before the perpetrator is sentenced to criminal punishment. The same criminal records refer to the punishments that a perpetrator received due to fraud. Other criminal records refer to the punishments that a perpetrator received for reasons, other than fraud, mainly including theft, gambling, and drug abuse.

In the precedents for cases of fraud crimes where the presence or absence of criminal records was indicated, there were 1,456 persons without criminal records, accounting for 93.09%. In the 108 persons with criminal records, there were 16 persons with the same criminal records, accounting for 1.02%.

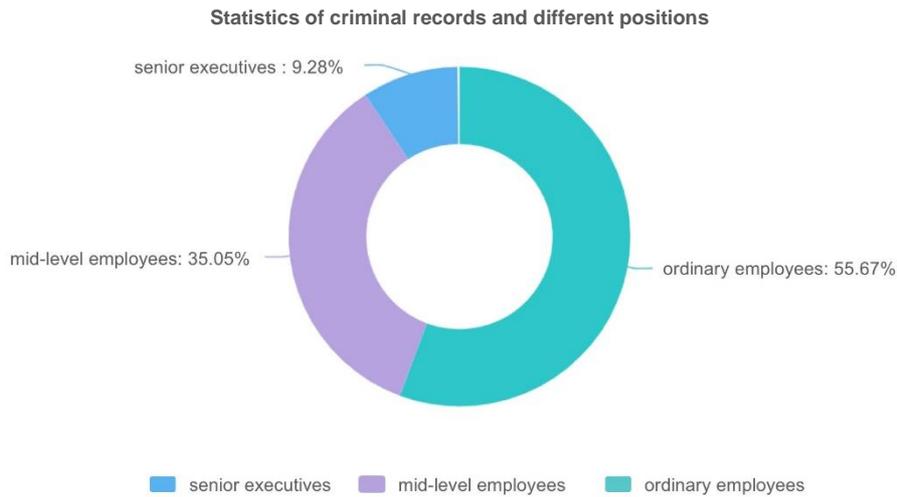


There were 31 fraud perpetrators whose criminal record information and years of employment information was available at the same time, including 15 persons with less than 2 years of employment, accounting for 48.39%; 13 persons with 2 to 5 years of employment, accounting for 41.93%; 2 persons with 6 to 10 years of employment, accounting for 6.45%; and 1 person with more than 10 years of employment, accounting for 3.23%.

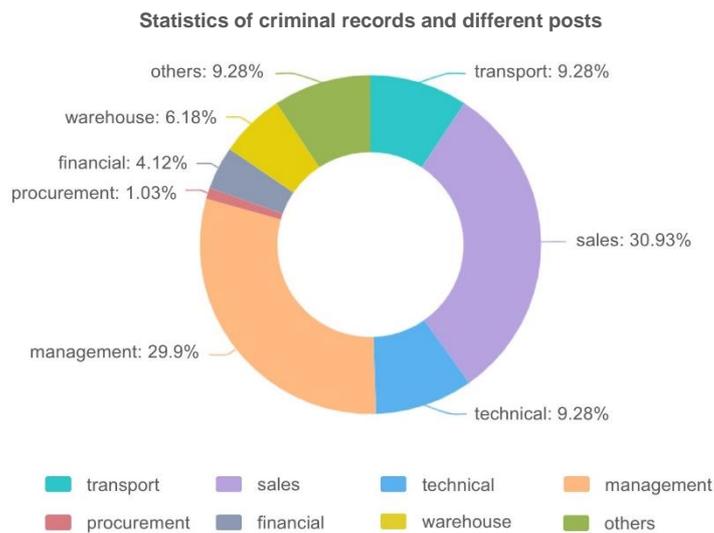
Statistics of criminal records and different years of employment



There were 97 fraud perpetrators whose criminal record information and position information was available at the same time, including 54 ordinary employees, accounting for 55.67%; 34 mid-level employees, accounting for 35.05%; and 9 senior executives, accounting for 9.28%. In the 43 mid-level employees and senior executives, there were 10 persons with the same criminal records and 33 persons with other criminal records.



There were 97 fraud perpetrators whose criminal record information and post information was available at the same time, including 30 sales personnel and 29 management personnel. Cases of fraud crimes committed by personnel holding the above two posts accounted for a higher proportion, up to 60.83%.

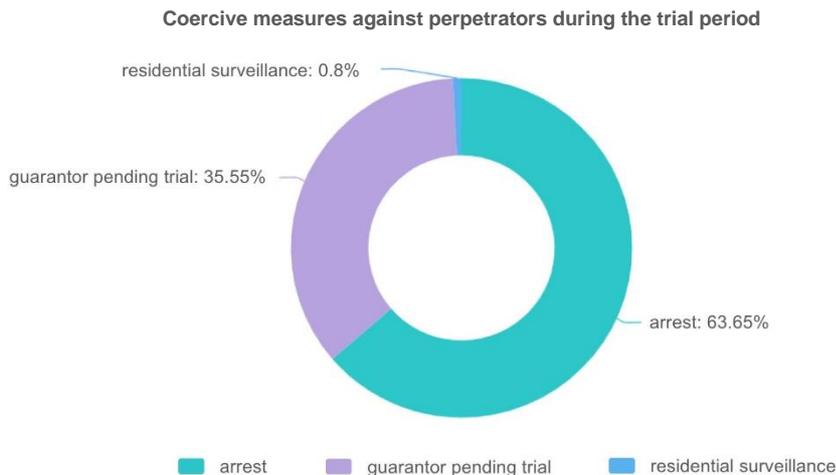


Part III Analysis of Judicial Disposition of Criminal Fraud Cases

The judicial disposition mainly includes criminal coercive measures against fraudsters, confession and acceptance of punishment, voluntary return of the illegally obtained property or payment of compensation or recovery of losses, understanding given by the enterprise, and criminal punishments against the fraudsters.

I. Coercive Measures against Perpetrators during the Trial Period

Criminal coercive measures include guarantor pending trial, residential surveillance, and arrest. According to the valid data available, there were 1,502 perpetrators against whom criminal coercive measures were taken during the court trial period, including 956 persons who were detained, 534 persons who obtained a guarantor pending trial, and 12 persons who were subject to residential surveillance. The detention rate was 63.65%.



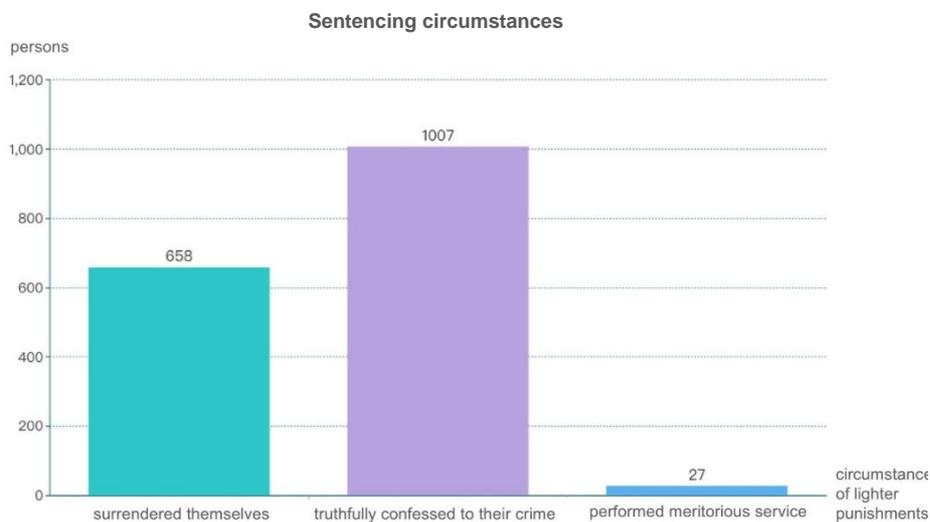
In judicial practice, such a detention rate is not high compared with other types of crimes. This may be because that the harmfulness of fraud crimes is more embodied at the enterprise level, the cases of fraud crime were dominated by economic crimes, etc. In addition, if the fraud perpetrators can actively return the illegally obtained property or pay compensation to eliminate the impacts, they may not be detained.

II. Sentencing Circumstances and Lighter, Mitigated, and Heavier Punishments

In accordance with the provisions of the *Criminal Law of the People’s Republic of China* (hereinafter referred to as the *Criminal Law*), voluntary surrender refers to the act of voluntarily delivering oneself up to justice and truthfully confessing one’s crime after one has committed the crime. Any criminal who voluntarily surrenders may be given a lighter or mitigated punishment. The ones whose crimes are relatively minor may be exempted from punishment. A criminal suspect who truthfully confesses to his/her crime may be given a lighter punishment although there is no voluntary surrender and may be given a mitigated punishment if any especially serious consequence is avoided for his/her truthful confession.

With regard to the specific types of fraud crimes, a heavier punishment may be given based on specific circumstances. For example, regarding the crime of infringing upon citizens’ personal information, if a person, in violation of relevant national regulations, sells or provides the citizens’ personal information that he/her obtains in the process of performing his duties or rendering services, he/she shall be given a heavier punishment in accordance with the provisions of the preceding paragraph.

In the 1,767 defendants, there were 658 persons who surrendered themselves and 1,007 persons who truthfully confessed to their crime, accounting for 94.23% of the total. In addition, there were 27 persons who performed meritorious service, accounting for 1.53% of the total.



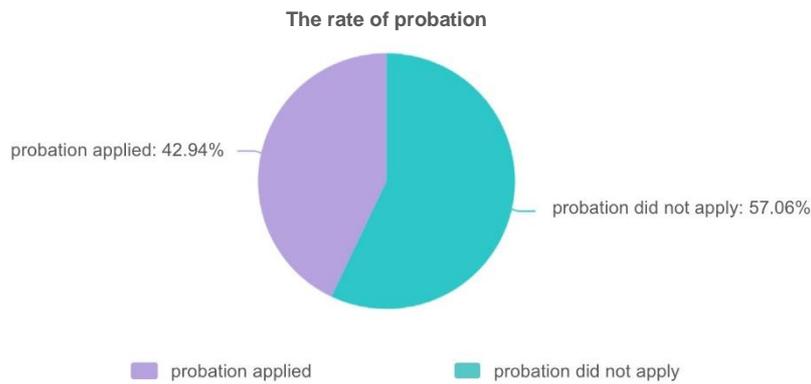
Finally, there were 1,638 persons who were given a lighter punishment according to law, 60 persons who were given a mitigated punishment according to law, and 94 persons who were given a heavier punishment according to law (there were circumstances where the defendants were given heavier, lighter, and mitigated punishments at the same time).

After the cases were discovered, almost all employees who committed fraud can truthfully confess to their fraudulent behaviors, cooperate on judicial investigations, sincerely repent their crimes, and actively pay compensation. This also explains why almost all cases of fraud crime committed by employees include the ascertained circumstances where the punishment shall be lighter or mitigated.

III. Statistics on Principal Punishments and Probation

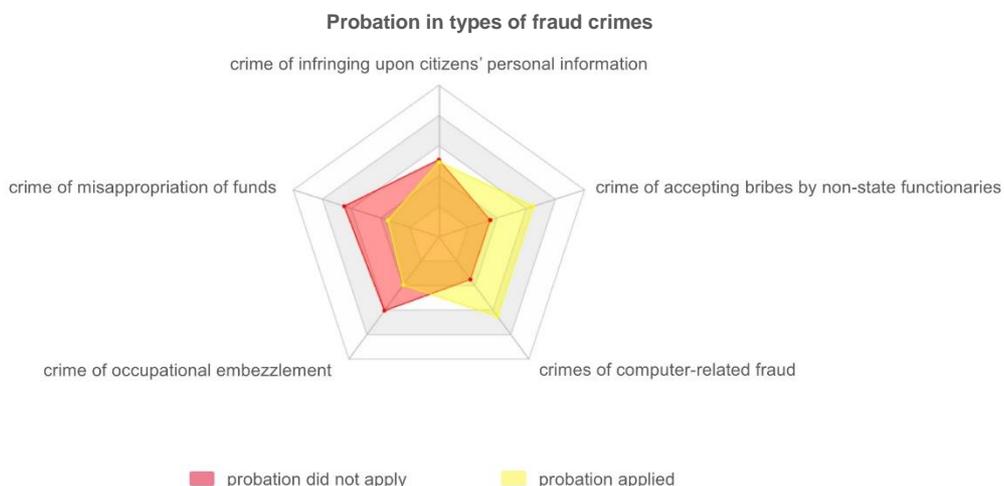
In accordance with the provisions of the *Criminal Law*, for a defendant sentenced to criminal detention or imprisonment of not more than 3 years, probation may be announced.

In the precedents for cases of fraud crimes included in the statistics, there were 757 persons to whom the probation applied, accounting for 42.94% of the total and 1,006 persons to whom the probation did not apply, accounting for 57.06% of the total. Fraud perpetrators were sentenced to fixed-term imprisonment of 21 months on average.



Under the current situation and policies, the implementation of the criminal policy of combining leniency with rigidity against employees who commit fraud can, on the one hand, deter the occurrence of fraud and on the other hand, give those employees a chance to rehabilitate themselves.

With regard to the specific types of fraud crimes, most of employees who committed the crime of occupational embezzlement or the crime of misappropriation of funds were given a substantial punishment, accounting for 59.35% and 64.94% respectively; while most of the employees who committed the crime of accepting bribes by non-state functionaries or the crime of computer-related fraud were given a probation, accounting for 64.95% and 65% respectively.



IV. Statistics on Amount Involved in Fraud Cases

According to statistics, the amount involved in the cases of crime of occupational embezzlement, cases of crime of misappropriation of funds, cases of crime of accepting bribes by non-state functionaries, cases of crime of infringing upon citizens' personal information, and cases of crimes of computer-related fraud as described in the Report totaled RMB 1.84 billion. Among them, the amount involved in the cases of crime of occupational embezzlement was RMB 1.044 billion; that involved in the cases of crime of misappropriation of funds was RMB 707 million; that involved in the cases of crime of accepting bribes by non-state functionaries was RMB 87 million; that involved in the cases of crime of infringing upon citizens' personal information was RMB 1,120,700; and that involved in the cases of crimes of computer-related fraud was RMB 1,137,900.

The average amount involved in the cases of crime of misappropriation of funds was the highest, up to RMB 2,413,000, which is related to the perpetrators' subjective willingness to return the misappropriated funds rather than the possession thereof. So, the sums of misappropriated funds and the duration of misappropriation will result in a high amount involved.

The average amount involved in the cases of crime of infringement upon citizens' personal information was the lowest, up to RMB 27,300. The amount is obtained by the perpetrators rather than the amount of direct loss incurred by enterprises. However, the potential loss of such behaviors on the enterprises' trade reputation and other aspects is immeasurable.



Big Data Report - Sub-Report

Based on the summarization of common problems in the preceding parts, the Sub-Report of this Big Data Report analyzes the inherent factors of various types of frauds and their adverse impacts on enterprises according to the differences in the composition of different types of crimes and in combination with the behavior characteristics of fraudsters reflected by the specific data.

The analysis of the characteristics of the fraudsters' ages, positions, etc. can reflect their behavioral motives; the analysis of the size of enterprises, the type of posts, and the industry in which the enterprises operate can reflect which enterprises are more vulnerable to what types of fraud crimes, and the requisites of crime that fraudsters have; and the analysis of the specific fraudulent behaviors and the amount involved can reveal the ways and means by which fraudsters commit crimes, so as to provide reference for enterprises to carry out anti-fraud work at the source.

Part I Crime of Occupational Embezzlement

According to Article 271 of the *Criminal Law*, the crime of occupational embezzlement refers to the act where an employee of a company, enterprise, or any other unit unlawfully takes possession of the money or property of his/her own unit by taking advantage of his/her position and the amount involved is relatively large.

Occupational embezzlement is a common type of frauds. Employees appropriate their company's property or money by concealing income, falsifying expenses, directly embezzling the property kept by them, or otherwise. This is also a fraud that directly damages the company's interests, and it is extremely harmful. In the cases available, there were management personnel who embezzled the company's property or money for more than ten years in various means, with the amount involved being tens of millions of RMB. Moreover, there were management teams who collectively transferred benefits by fraud, which caused losses of hundreds of millions of RMB and left the company on the verge of bankruptcy.

In the 870 cases of crime of occupational embezzlement where the amounts involved were available, the total amount involved reached RMB 1.044 billion, with the average amount involved in the cases being RMB 1.2 million.

The amount involved in each of about 20% cases exceeded RMB 1 million, and the total amount involved in these cases accounted for 80% of the total amount involved in all cases. In addition, there were 20 cases where the amount involved exceeded RMB 10 million, and the maximum amount was up to RMB 72.582 million. This distribution meets the common principle of 80/20.

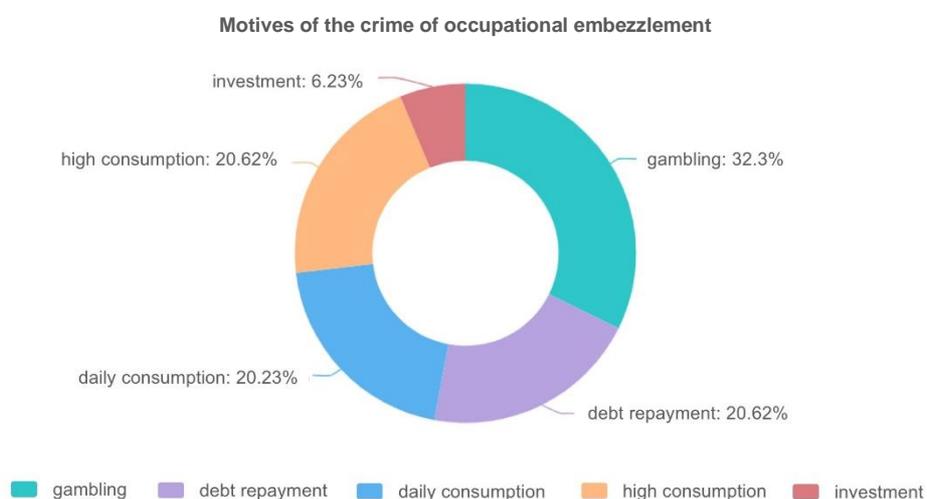


I. Behavioral Analysis of the Crime of Occupational Embezzlement

(I) Motives of the crime of occupational embezzlement

The criminal motives of perpetrators can be divided into gambling, high consumption, debt repayment, daily consumption, and investment.

There were 257 cases where the criminal motives of perpetrators were available, including 83 cases of crime motivated by gambling, accounting for 32.30%; 53 motivated by high consumption, accounting for 20.62%; 53 motivated by debt repayment, accounting for 20.62%; 52 motivated by daily consumption, accounting for 20.23%; and 16 motivated by investment, accounting for 6.23%.



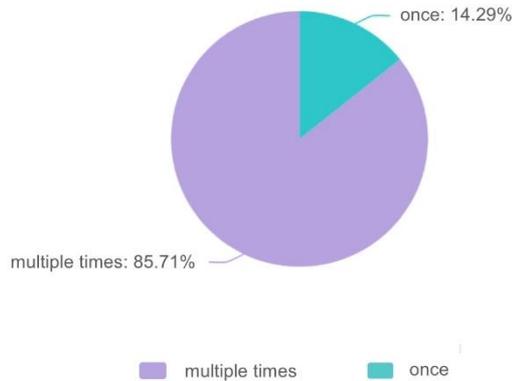
Among them, the cases of crime motivated by gambling took the largest proportion, while the cases of crime motivated by high consumption, debt repayment, and daily consumption respectively accounted for about 20% of the total. The cases of crime motivated by investment took the smallest proportion.

(II) Frequency and duration of the crime of occupational embezzlement

The frequency of the crime of occupational embezzlement is divided into a single time and multiple times. Based on the frequency of the crime of occupational embezzlement committed by perpetrators as described in the judgments, there were 996 cases where the perpetrators committed this crime multiple times and 166 cases where the perpetrators committed this crime once. In other words, more than 85% of the perpetrators were discovered by their companies after they committed this crime multiple times, indicating that most of the enterprises' internal control and early warning mechanisms are lagging to some extent.

Among the perpetrators who committed this crime multiple times, there were 302 persons whose crime lasted for more than one year, and the longest-running one lasted for more than 13 years.

Frequency and duration of the crime of occupational embezzlement



(III) Links of occurrence of the crime of occupational embezzlement

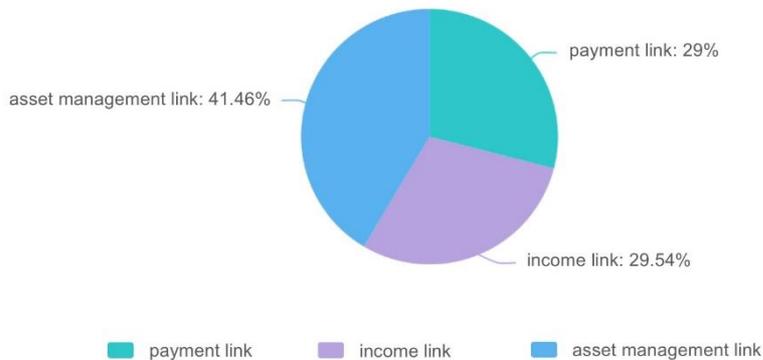
We divide the links where the crime of occupational embezzlement occurs into three types based on the destination and source of funds: income, payment, and asset management. There were 1,124 cases of crime where the links of occurrence were available.

There were 320 cases of crime occurring in the payment link, accounting for 29%. Such crimes were committed mainly by falsifying expenses and making use of management loopholes, and the property embezzled was mainly monetary funds.

There were 327 cases of crime occurring in the income link, accounting for 29.54%. Such crimes were committed mainly by concealing income, and the property embezzled was mainly accounts receivable.

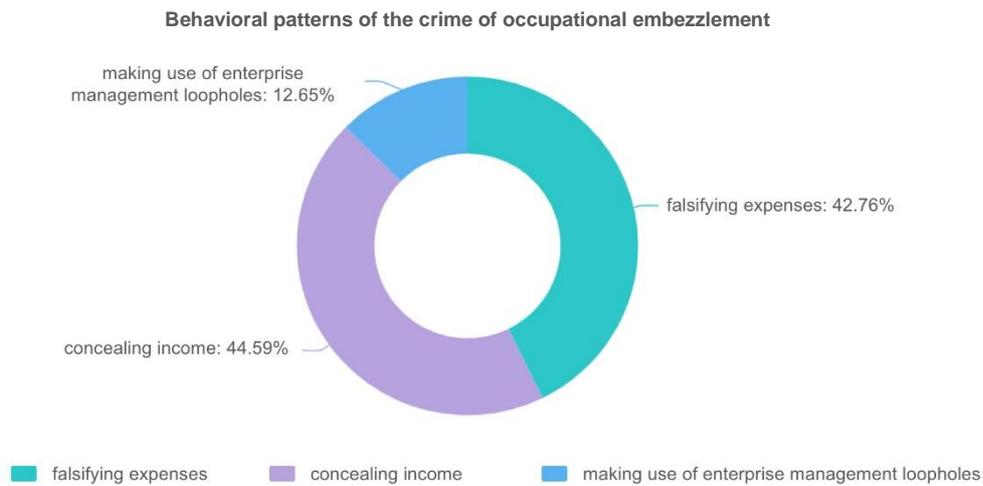
There were 459 cases of crime occurring in the asset management link, accounting for 41.46%. Such crimes were committed mainly by theft, fraud, and misappropriation, and the property embezzled was mainly merchandise inventory and monetary funds.

Links of occurrence of the crime of occupational embezzlement



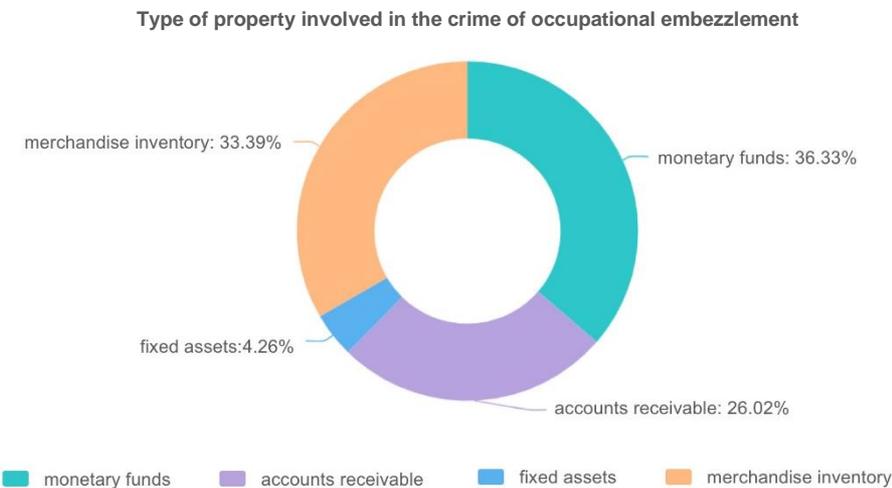
(IV) Behavioral patterns of the crime of occupational embezzlement

We divide the behavioral patterns of the crime of occupational embezzlement into three types, i.e., falsifying expenses, concealing income, and making use of enterprise management loopholes, and there were 601 valid cases. Among them, there were 257 cases of crime committed by falsifying expenses, accounting for 42.76%; 268 cases of crime committed by concealing income, accounting for 44.59%; and 76 cases of crime committed by making use of enterprise management loopholes, accounting for 12.65%.

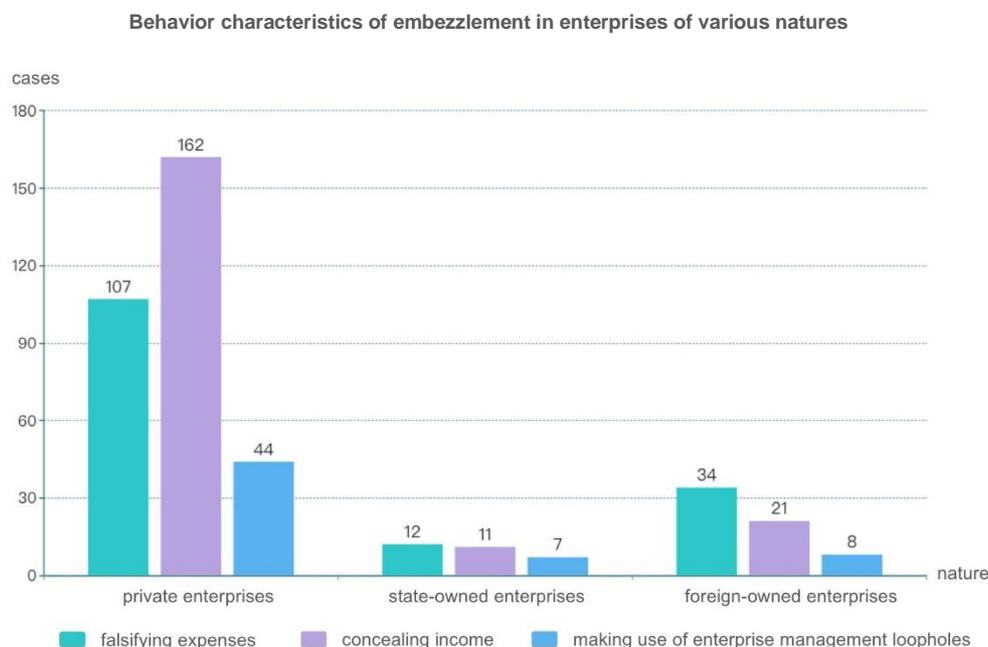


(V) Type of property involved in the crime of occupational embezzlement

We divide the property embezzled into four types, i.e., monetary funds, accounts receivable, fixed assets, and merchandise inventory, and there were 795 valid cases, including 289 cases involving the embezzlement of monetary funds, accounting for 36.33%; 206 cases involving the embezzlement of accounts receivable, accounting for 26.02%; 34 cases involving the embezzlement of fixed assets, accounting for 4.26%; and 266 cases involving the embezzlement of merchandise inventory, accounting for 33.39%.



(VI) Behavior characteristics of embezzlement in enterprises of various natures



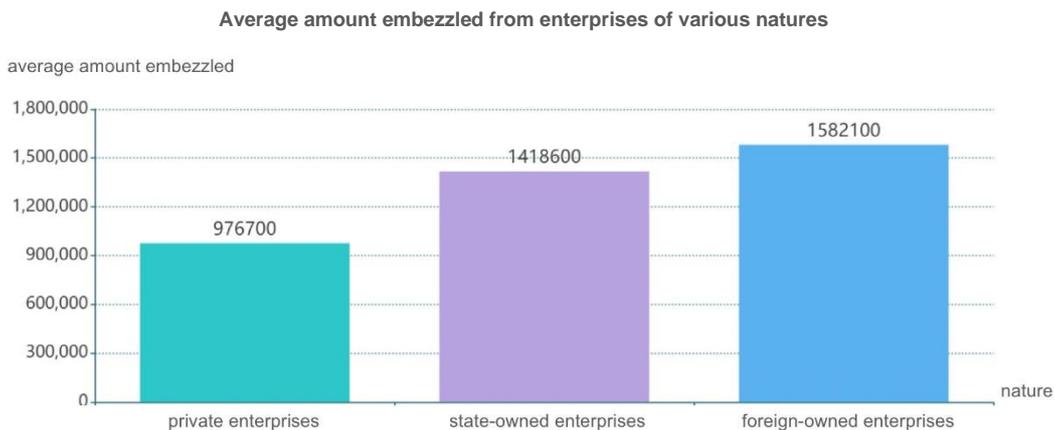
In private enterprises, the embezzlement of property by means of concealing income was the most common, reflecting the weakness of private enterprises in the management of accounts receivable; foreign-owned enterprises are relatively weak in the management of payments; while state-owned enterprises have achieved good results in the management of accounts receivable and payments.

Among the cases available, there was also a new case involving the embezzlement of virtual property. The defendant Pan once worked in the game industry development group of the Communication Top-up and Lottery Business Department under the Corporate Development Group of Tencent Technology (Shenzhen) Co., Ltd., engaging in background development of the winning probability game on the lottery quiz platform. Pan entered, without authorization, Tencent’s game database via a mini-program written by him by means of his account permissions, obtained the results of the virtual football games in advance, and then used his own account to bet, in order to win “golden beans” and sell them to gain profits.

II. Analysis of Amount involved in the Crime of Occupational Embezzlement

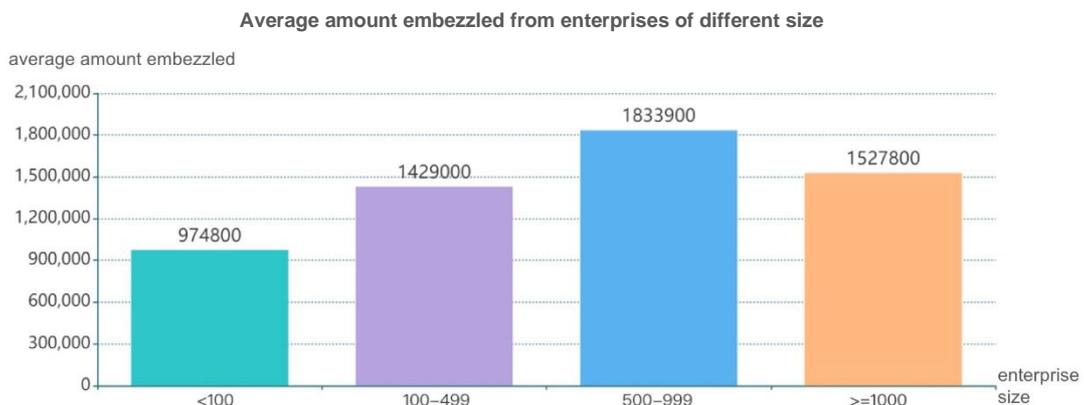
(I) Average amount embezzled from enterprises of various natures

The average amount embezzled from private enterprises was RMB 976,700, that from state-owned enterprises was RMB 1,418,600, and that from foreign-owned enterprises was RMB 1,582,100.



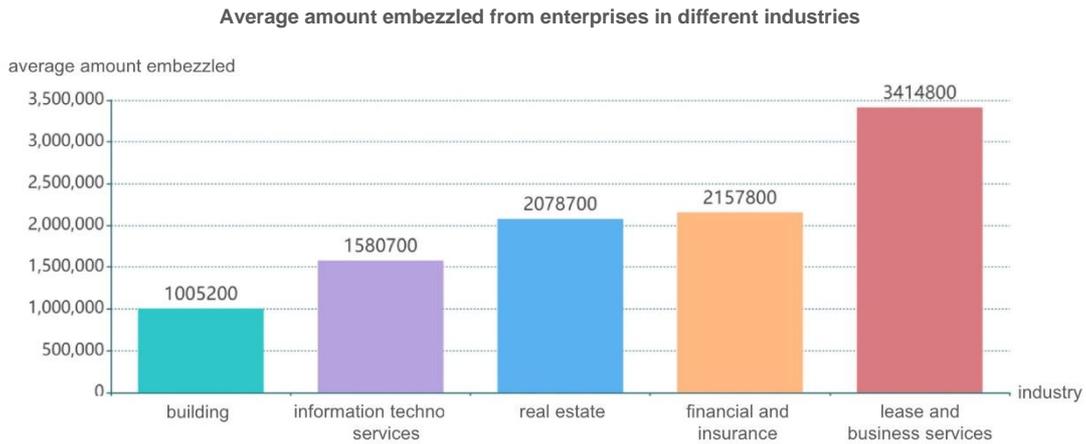
(II) Average amount embezzled from enterprises of different sizes

The average amount embezzled from small-sized enterprises with less than 100 employees was RMB 974,800, that from medium-sized enterprises with 100 to 499 employees was RMB 1,429,000, that from medium-sized enterprises with 500 to 999 employees was RMB 1,833,900, and that from large enterprises with 1,000 employees or more was RMB 1,527,800.



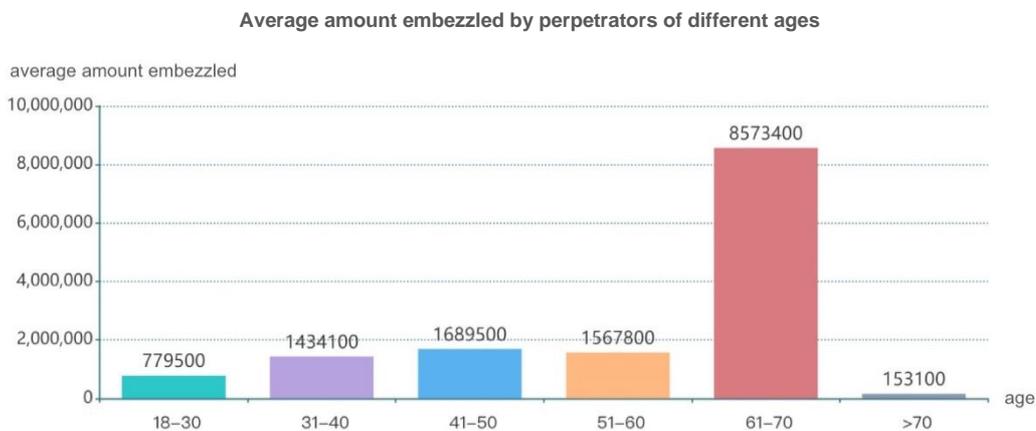
(III) Average amount embezzled from enterprises in different industries

Analyzed by industry, the average amount embezzled from enterprises in the lease and business services (mainly financial leasing enterprises), financial and insurance, and real estate industries were relatively high, amounting to RMB 3,414,800, RMB 2,157,800, and RMB 2,078,700 respectively.



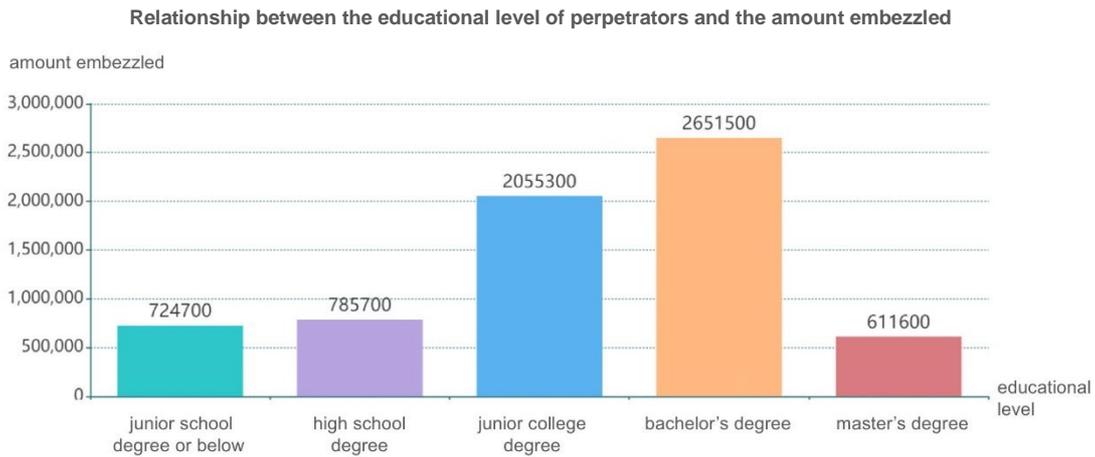
(IV) Average amount embezzled by perpetrators of different ages

There is also a certain correlation between the age of perpetrators and the average amount embezzled. Data shows that the average amount embezzled by perpetrators aged between 61 and 70 was RMB 8,573,400, ranking the first (a perpetrator in this age group embezzled RMB 70.2 million. The average amount embezzled by these perpetrators was RMB 2,410,700 after this case was removed, still ranking the first). The average amount embezzled by perpetrators aged between 41 and 50, between 51 and 60, and between 31 and 40 was RMB 1,689,500, RMB 1,567,800, and RMB 1,433,100 respectively.

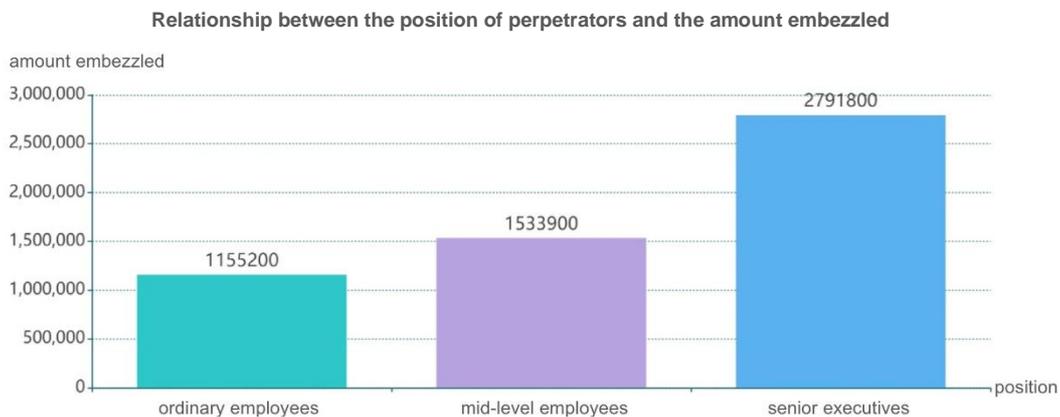


(V) Relationship between the educational level of perpetrators and the amount embezzled

The educational level of perpetrators is basically in direct proportion to the average amount of embezzled. The average amount embezzled by perpetrators with a junior college or bachelor’s degree exceeded RMB 2 million.



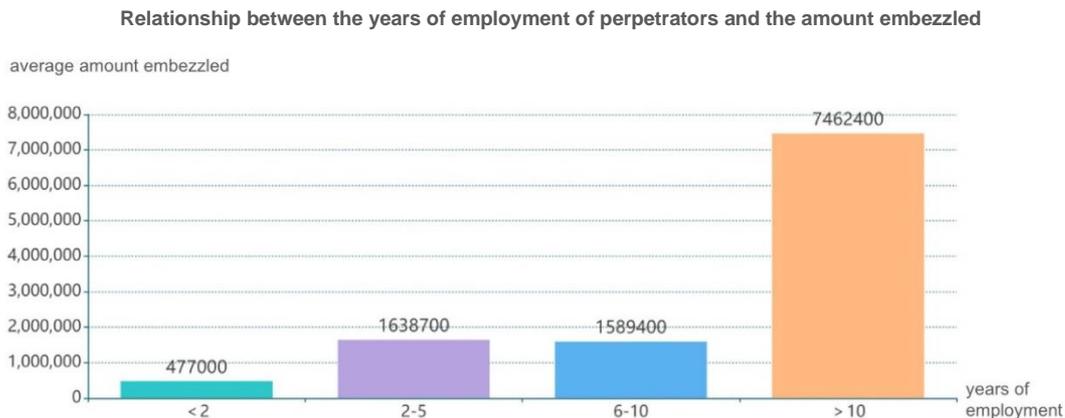
(VI) Relationship between the position of perpetrators and the amount embezzled



Data shows that the higher the level of the position of the perpetrators, the larger the average amount embezzled and the greater the harm to enterprises. In the above-mentioned case involving the highest amount embezzled, the defendant Wu was an executive director of an enterprise. By taking advantage of the power to examine and approval affairs related to enterprise operation, finance, etc., Wu falsified customers’ requests for payment multiple times, transferred the enterprise’s funds of more than RMB 70 million in total to the bank accounts designated by Wu, and then pocketed the same.

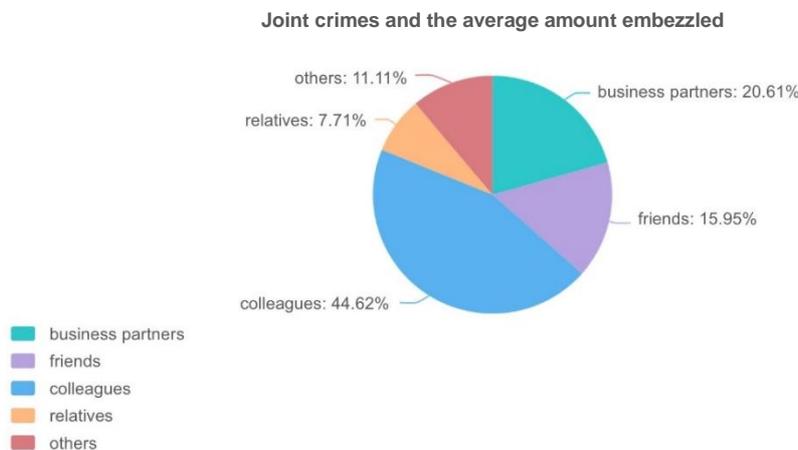
(VII) Relationship between the years of employment of perpetrators and the amount embezzled

The average amount embezzled by perpetrators with less than 2 years of employment was only 477,000 and that embezzled by perpetrators with 2 to 5 years of employment was up to RMB 1,638,700, indicating a certain correlation between the length of employment of perpetrators and the amount embezzled. With the increase in years of employment, the higher the level of position of perpetrators at the company, the greater the power they have, and the higher the amount that they can embezzle.



(VIII) Joint crimes and the average amount embezzled

In the 868 valid cases, there were 613 cases of individual crime and 255 cases of joint crime. The proportion of cases of individual crime is far higher than that of the cases of joint crime. The joint crime includes the crime committed by multiple persons inside an organization and crime committed by persons both inside and outside an organization, and there were 114 cases and 141 cases respectively, with the number of the latter being a little more. The average amount embezzled in joint crimes was RMB 1,378,500, higher than that of RMB 1,137,400 in single crimes.

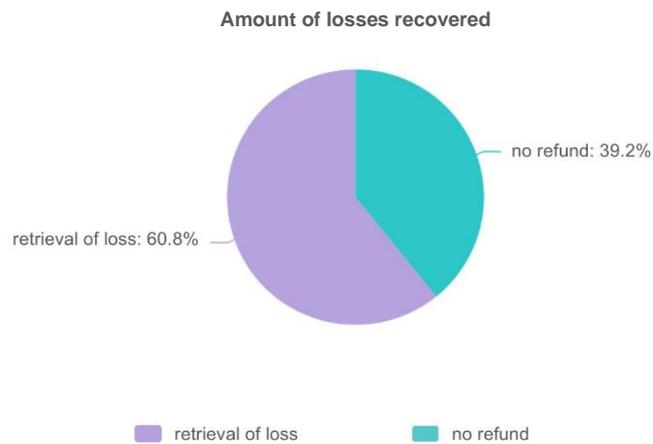


Perpetrators of joint crimes were mainly colleagues (44.62%) and business partners (20.61%), followed by friends (15.95%) and relatives (7.71%).

III. Judicial Disposition of Cases of Crime of Occupational Embezzlement

(I) Statistics on amount of losses recovered

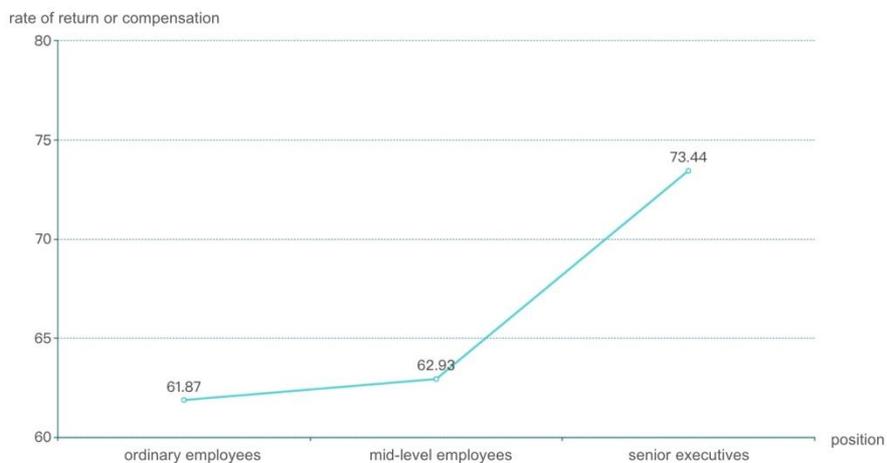
In the 870 cases available, there were 529 cases where the embezzled money or property was returned, compensated for, or recovered, that is, victims in 60.8% of the cases recovered all or part of the losses through return of, compensation for, or recovery of the embezzled money or property before a judgment was handed down.



In the 870 cases available, the total amount of losses recovered stood at RMB 206 million, accounting for 19.7% of the total amount embezzled. The cases where the losses were fully or excessively recovered accounted for 49.55% of the cases where embezzled money or property was returned, compensated for, or recovered.

(II) Relationship between the position of perpetrators and the rate of return or compensation

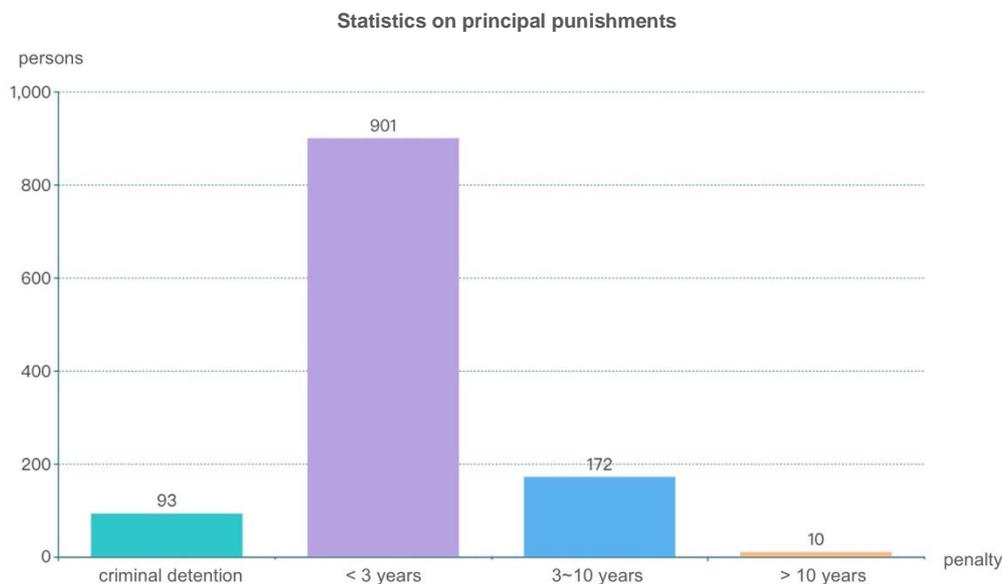
Relationship between the position of perpetrators and the rate of return or compensation



In the cases where the embezzled money or property was returned or compensated for, it can be clearly found that the rate of return or compensation (the number of cases where the embezzled money or property was returned, compensated for, or recovered/the number of total cases) by senior executives was 73.44%, far higher than that by personnel at other positions.

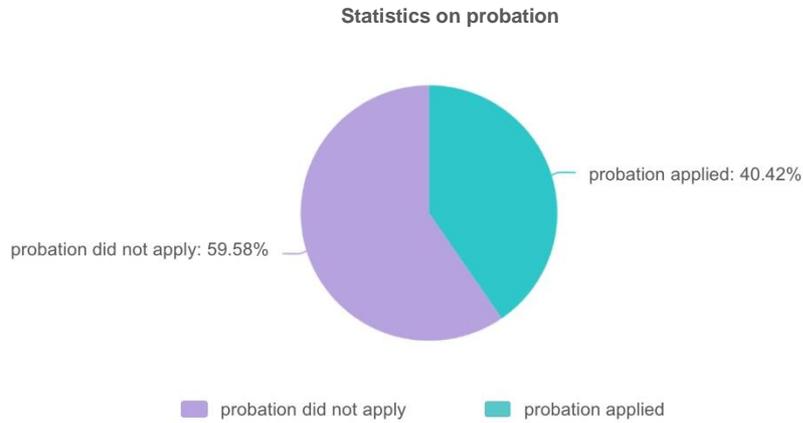
(III) Statistics on principal punishments

The criminal punishments sentenced by the courts in the cases of crime of occupational embezzlement are as follows: there were 93 persons sentenced to criminal detention, 901 persons sentenced to fixed-term imprisonment of not more than 3 years, 172 persons sentenced to fixed-term imprisonment of 3 to 10 years, and 10 persons sentenced to fixed-term imprisonment of more than 10 years.



(IV) Statistics on probation

There were 478 persons to whom the probation applied, accounting for 40.65% and 698 persons to whom the probation did not apply, accounting for 59.35%.

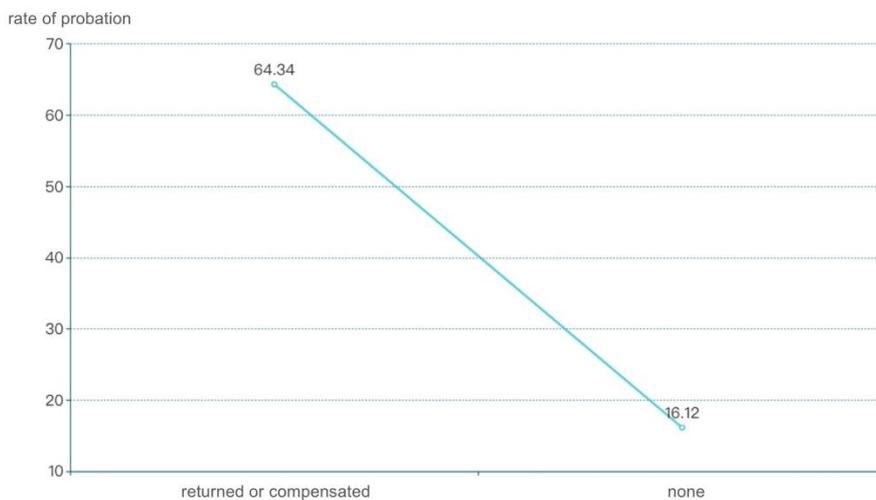


In accordance with relevant provisions of the *Criminal Law*, where a defendant sentenced to criminal detention or fixed-term imprisonment of not more than 3 years may be granted probation.

(V) Impact of the return of or compensation for the embezzled money or property on the application of probation

64.34% of the defendants who returned or compensated for the embezzled money or property were granted probation, and 16.12% of the defendants who neither returned nor compensated for the embezzled money or property were granted probation.

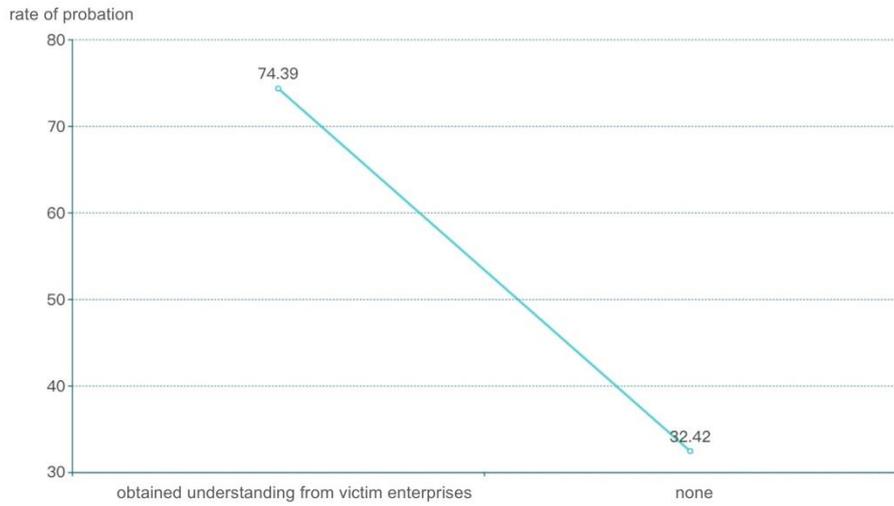
Impact of the return of or compensation for the embezzled money or property on the application of probation



(VI) Impact of the understanding given by victim enterprises on the application of probation

74.39% of the defendants who obtained understanding from victim enterprises were granted probation, and 32.42% of the defendants who failed to obtain understanding from victim enterprises were granted probation.

Impact of the understanding given by victim enterprises on the application of probation



Part II Crime of Misappropriation of Funds

In accordance with Article 272 of the *Criminal Law*, the crime of misappropriation of funds refers to the act where an employee of a company, enterprise or any other unit, by taking advantage of his position, misappropriates the funds of his/her own unit for personal use or for loaning them to another person and the amount is relatively large and the funds are not repaid at the expiration of three months, or the funds are repaid before the expiration of three months but the amount involved is relatively large and the funds are used for profit-making activities or for illegal activities.

We obtained 399 precedents for criminal cases of misappropriation of funds from the Alpha database, 106 of which occurred in collective economic organizations and are beyond the scope of this Report. The remaining 293 cases were valid cases of misappropriation of funds committed by internal employees, and a total of 303 employees were liable to criminal punishment.

The fraud cases of misappropriation of funds caused property losses of RMB 707 million in total to enterprises. The valid data shows that the highest amount misappropriated in a single case was RMB 60 million, which occurred in a securities limited liability company. The average amount of loss in a single case was RMB 2,413,000, which was the highest amount among all types of crimes described in this Report.

Like the crime of occupational embezzlement, the crime of misappropriation of funds also occurs frequently in the generalized fraud crimes committed by enterprise employees. A key difference between the two types of crimes lies in the subjective purpose of perpetrators. Perpetrators of the crime of occupational embezzlement have the purpose of “illegal possession”, while perpetrators of the crime of misappropriation of funds often have the willingness to return the misappropriated funds after the crime. Of course, it is not objective to rely solely on the confession of employees when judging their subjective purpose. Judicial organs often make a comprehensive judgment based on the actual destination of funds, the uses, repayment before the discovery of the case, the repayment after the discovery of the case, and the frequency of misappropriation. In addition, the employee’s misappropriation of funds directly infringes upon the enterprise’s right to use the funds, which is different from the infringement upon ownership by occupational embezzlement. The above comparison does not mean that enterprises can “emphasize embezzlement and overlook misappropriation of funds” in internal management. Based on the statistics on the relevant cases, this Report analyzes the amount misappropriated, the behavior, and judicial disposition of the crime of misappropriation of funds, in the hope of drawing enough attention of enterprises to the misappropriation of funds by employees.

I. Behavioral Analysis of the Crime of Misappropriation of Funds

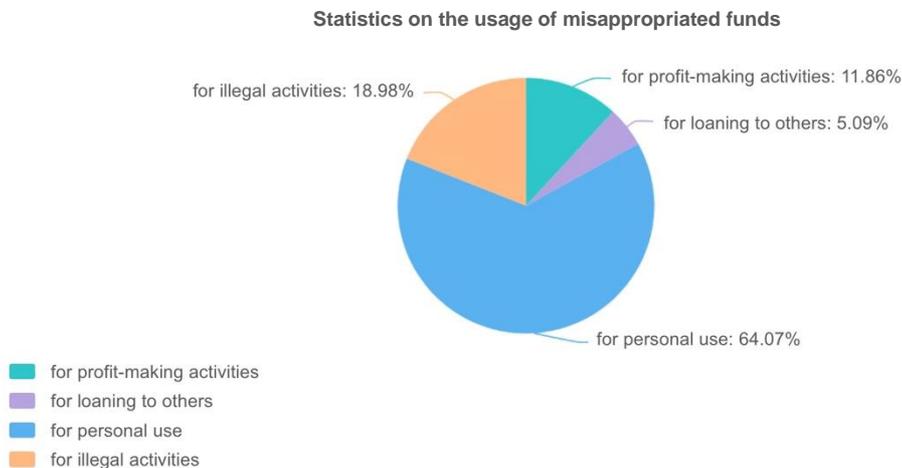
(I) Statistics on the usage of misappropriated funds

The usage of misappropriated funds is legally divided into three scenarios.

Under the first scenario, the funds are misappropriated for personal use or for loans to others, and the amount is relatively large and the funds are not repaid at the expiration of three months. This is a less serious scenario of misappropriation. The funds are misappropriated mainly for personal use or for loaning to others, but they are not used for improper economic activities. In addition, the amount is relatively large and the funds are not repaid at the expiration of three months.

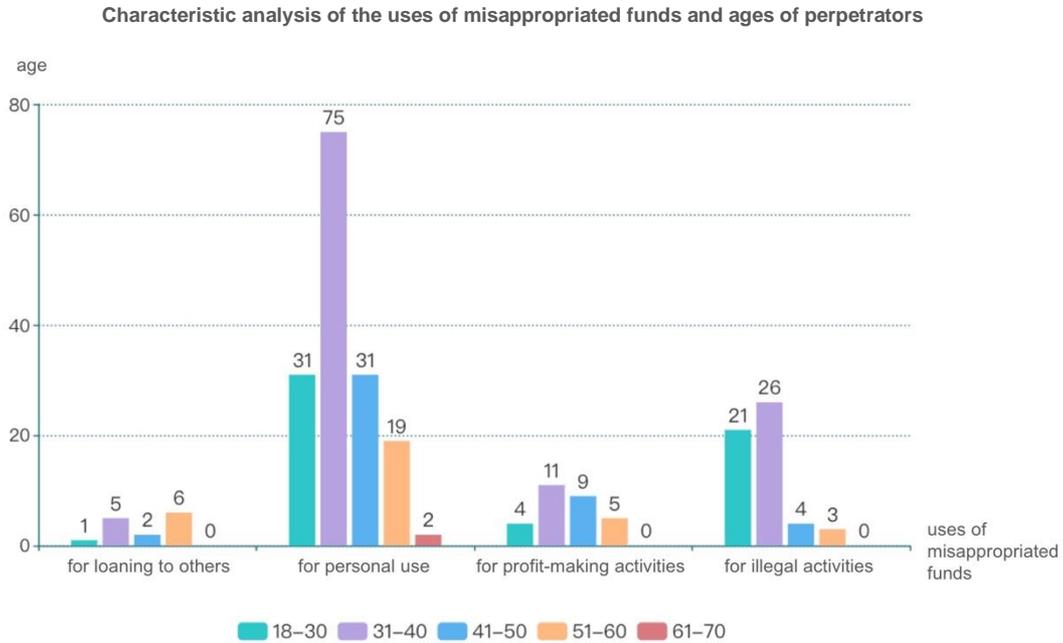
Under the second scenario, the funds are repaid before the expiration of three months but they are used for profit-making activities. The term “profit-making activities” mainly refers to activities such as engaging in business deals or investment and purchasing stocks or bonds.

Under the third scenario, funds are misappropriated for illegal activities. Under such a scenario, there are no restrictions on whether the misappropriated funds are repaid at the expiration of three months, or restrictions on the amount misappropriated. Anyone who misappropriates the funds of his/her unit for illegal activities shall be deemed to commit the crime of misappropriation of funds. The common “illegal activities” include smuggling, gambling, etc.



According to the statistics based on the uses of misappropriated funds, there were 35 cases where the funds were misappropriated for profit-making activities, 24 cases where the funds were misappropriated for loaning to others, 188 cases where the funds were misappropriated for personal use, and 55 cases where the funds were misappropriated for illegal activities. Among them, the cases where the funds were misappropriated for personal use accounted for the highest proportion.

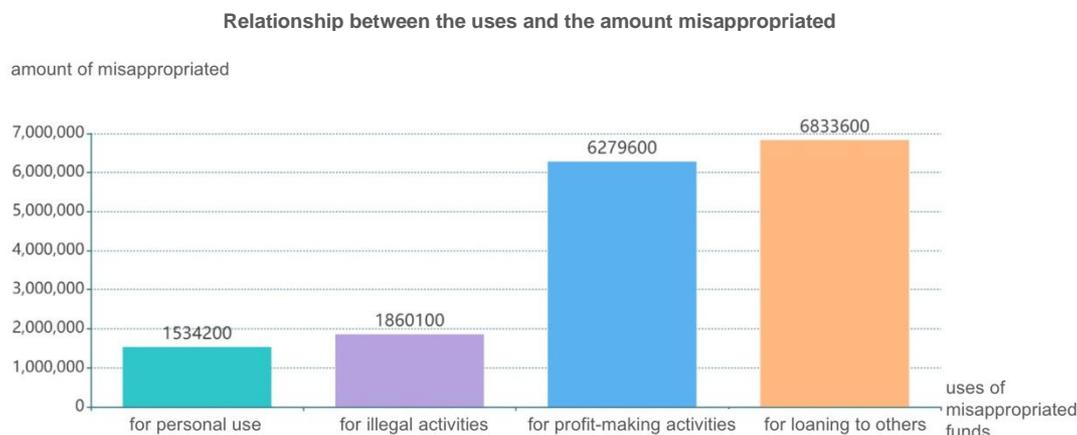
(II) Characteristic analysis of the uses of misappropriated funds and ages of perpetrators



Perpetrators aged between 31 and 40 were more prone to commit the crime of misappropriation of funds. The cases of misappropriation of funds committed by these perpetrators ranked the first in respect of the four types of uses. Among them, the cases where the funds were misappropriated for personal use accounted for the highest proportion.

In the cases of misappropriation of funds committed by perpetrators aged between 18 and 30, the cases where the funds were misappropriated for illegal activities ranked the second, followed by the cases where the funds were misappropriated for profit-making activities. This indicates that young employees are more prone to use the misappropriated funds for gambling, squandering, etc., thus rendering it less possible for enterprises to recover losses.

(III) Relationship between the uses and the amount misappropriated



The amount misappropriated in cases where the funds were misappropriated for loaning to others or profit-making activities was relatively high, up to RMB 6,836,600 and 6,276,600 on average respectively, far higher than that in cases where the funds were misappropriated for personal use or illegal activities.

The personal use includes consumption, payment for others, transfer of positions, etc.; while the most common illegal activities are gambling activities.

The use of misappropriated funds for profit-making activities or loaning to others can be understood as a way to obtain interest or fixed return by operating a large amount of funds in a short period of time, which is characterized by the large demand for funds, and fixed but low return. In the face of insufficient self-owned funds, perpetrators often had a fluke mind of “repaying the misappropriated funds immediately after earning profit”.

(IV) Uses of misappropriated funds and the repayment

In the 188 cases where the funds were misappropriated for personal use, there were 136 persons who voluntarily repaid all or part of the misappropriated funds, accounting 72.34%; in the 35 cases where the funds were misappropriated for profit-making activities, there were 27 persons who voluntarily repaid the funds, accounting 77.14%; in the 14 cases where the funds were misappropriated for loaning to others, there were 10 persons who voluntarily repaid the funds, accounting 71.42%; in the 55 cases where the funds were misappropriated for illegal activities, there were 35 persons who voluntarily repaid the funds, accounting 63.63%.

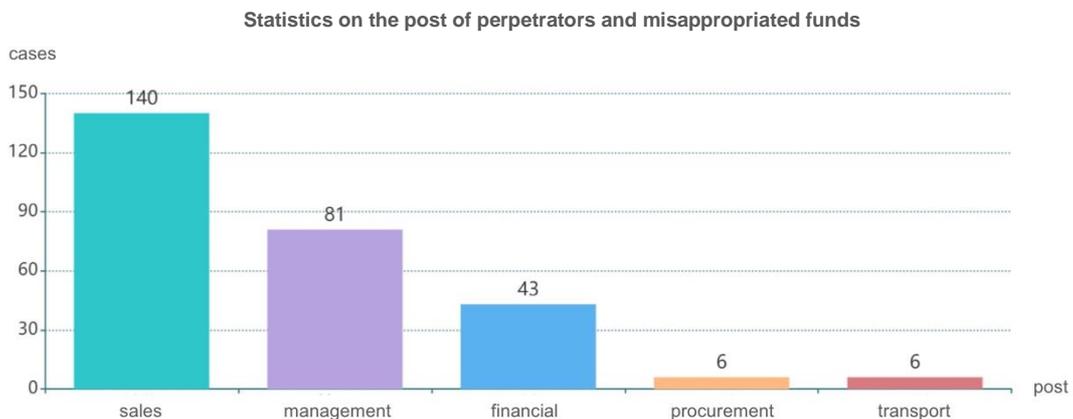


The above data shows that, among the four uses of misappropriated funds, the possibility of repaying the funds misappropriated for “illegal activities” is significantly lower than that of other three uses, causing a greater impact on the enterprises’ recovery of losses.

(V) Statistics on the post of perpetrators and misappropriated funds

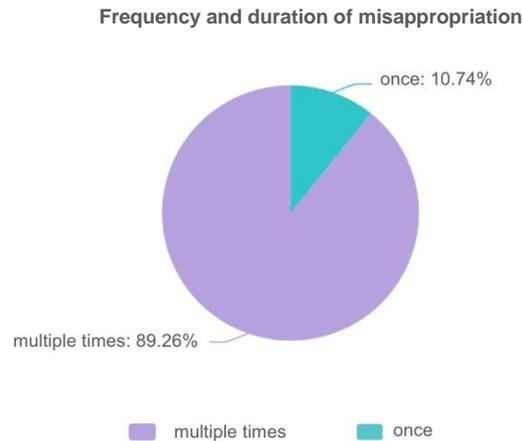
There were 140 cases of misappropriation of funds committed by sales personnel, 81 committed by management personnel, 43 committed by financial personnel, 6 committed by procurement personnel, and 6 committed by transportation personnel.

Managers, sales personnel, and financial personnel are still more likely to commit the crime of misappropriation of funds. The reason is that employees on such posts can directly or indirectly contact funds in their daily business. In other words, these posts give these employees certain job convenience and enable them to directly deal with funds or create favorable conditions for them to deal with funds. In such a case, there are few controls that enterprises can adopt from rules and regulations, and the enterprises depend more on the constraints of integrity and professional ethics on employees.



(VI) Frequency and duration of misappropriation

According to the statistics, there were 32 perpetrators who misappropriated funds once and the other perpetrators all misappropriated funds multiple times, and the average duration of misappropriation was 17 months, far exceeding the 3 months specified by law.

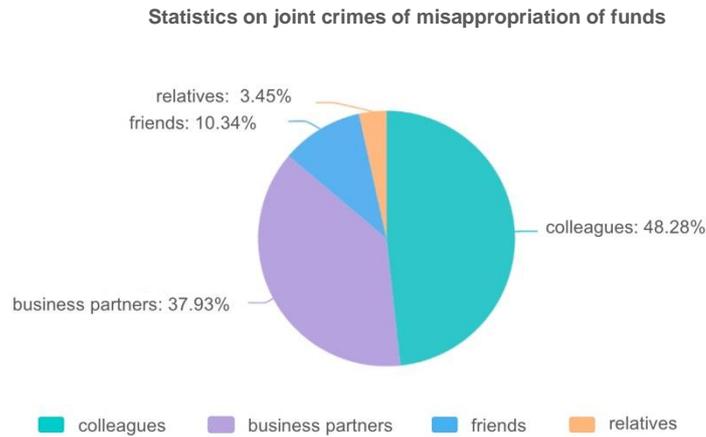


Before committing the misappropriation of funds, employees often “inquire into” the enterprise’s internal fund management, such as the procurement or sales cycle, the accounting of journals, the defects in the details of bank statement, and the frequency of self-examination or internal audit, thus determining a “safe period” for the misappropriation of funds. If they repaid the funds misappropriated in full before the expiration of the “safe period”, or concocted items for the misappropriated funds, or misappropriated other funds to repay such funds, they could extend the time of disclosure of the crime. After a perpetrator misappropriated the funds and repaid them, he/she would have an idea that “timely return of a loan makes it easier to borrow a second time” and thus committed the crime multiple time. As a result, such crime would not be discovered by the enterprise until several months later.

The above situation also shows that there is more than one year’s lag between the company’s financial management system and the discovery of misappropriation of funds.

(VII) Statistics on joint crimes of misappropriation of funds

According to the statistics, there were 29 perpetrators who committed the crime together, and the remaining 274 perpetrators committed the crime alone. In the cases of joint crime, there were 11 colleagues, 11 business partners, 3 friends, and 1 relative.

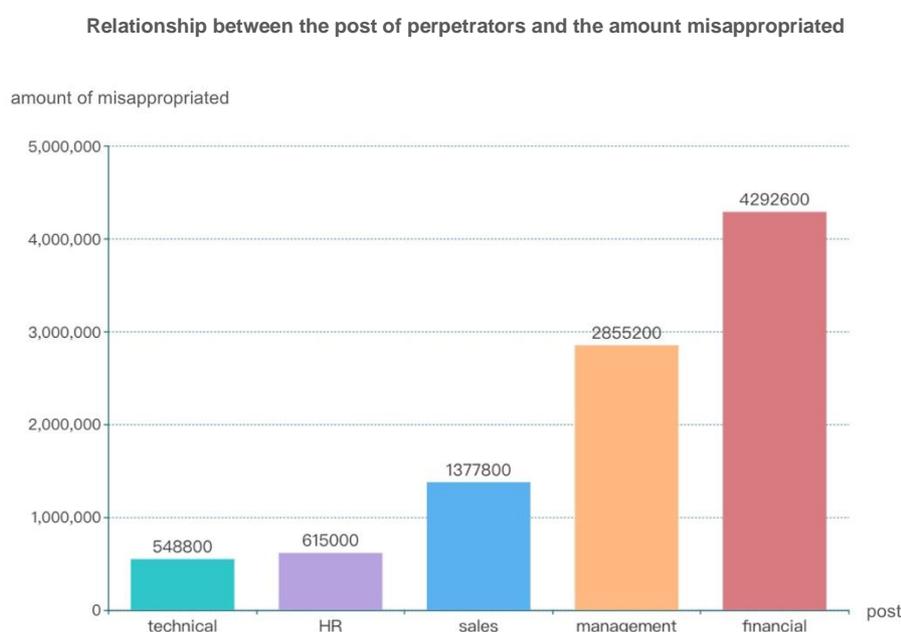


There were few cases of joint crime, indicating that the conditions for misappropriation of funds are easy to achieve, and it can be implemented by an individual without the cooperation with others; and the crime committed by an individual can be better concealed, rendering it difficult for enterprises to discover it.

II. Analysis of the Amount of Misappropriated Funds

In the statistical process of the cases of misappropriation of funds, we found a case where the amount misappropriated was up to RMB 3.2 billion. Case brief: A bank employee, in collusion with external personnel, illegally handled the discounting business by means of turning commercial acceptance bills into bank acceptance bills, and misappropriated bank funds of about RMB 3.2 billion. Given that the judgment did not mention the subsequent destination of the RMB 3.2 billion of funds, and inclusion of such amount in the statistics would inevitably affect the overall objectivity of data and mislead users of this Report, the statistics and analysis in this part do not include the amount of RMB 3.2 billion.

(I) Relationship between the post of perpetrators and the amount misappropriated

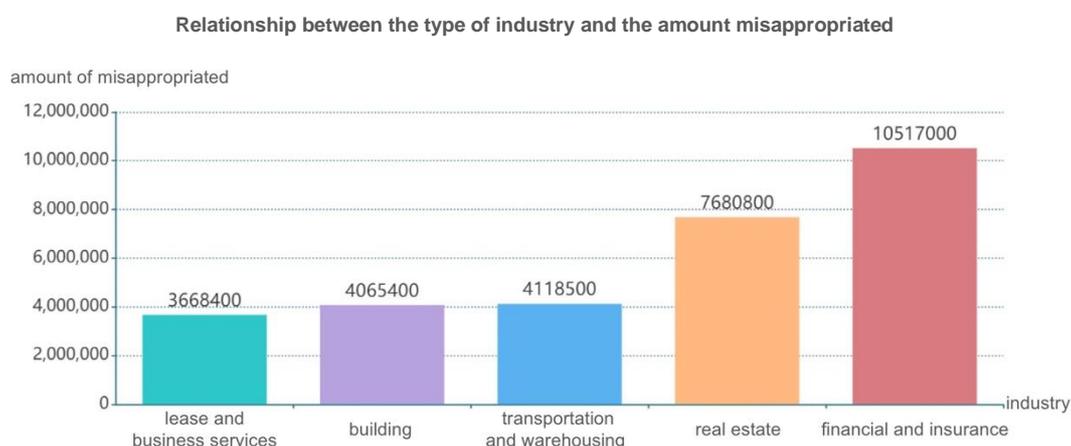


The misappropriation of funds committed by people at the following five posts, i.e., financial, management, sales, HR, and technical posts, caused the most serious losses. The average amount of misappropriated funds in the cases was RMB 4,292,600, RMB 2,855,200, RMB 1,378,800, RMB 615,000 and RMB 548,800 respectively.

The above data shows that once the financial personnel committed the misappropriation of funds, the amount of funds involved was relatively large, followed by the misappropriation of funds committed by management personnel. Though the incidence of the crime committed by sales personnel was the highest, the amount misappropriated was smaller than those misappropriated by financial and management personnel.

The amount misappropriated by sales personnel is related to the number of businesses and amount of funds that are dealt with by the business personnel. This means that the strong business capability of the business personnel, the high quality of the company’s products and services, and the strong business negotiation position will contribute to the increase in the number of businesses and amount of funds dealt with by the business personnel. On the contrary, such factors will become the barriers and bottlenecks for the misappropriation of funds by such business personnel. However, the financial or management personnel are not subject to the above restrictions, and can directly contact a large amount of the company’s self-owned funds, resulting in a higher amount misappropriated.

(II) Relationship between the type of industry and the amount misappropriated

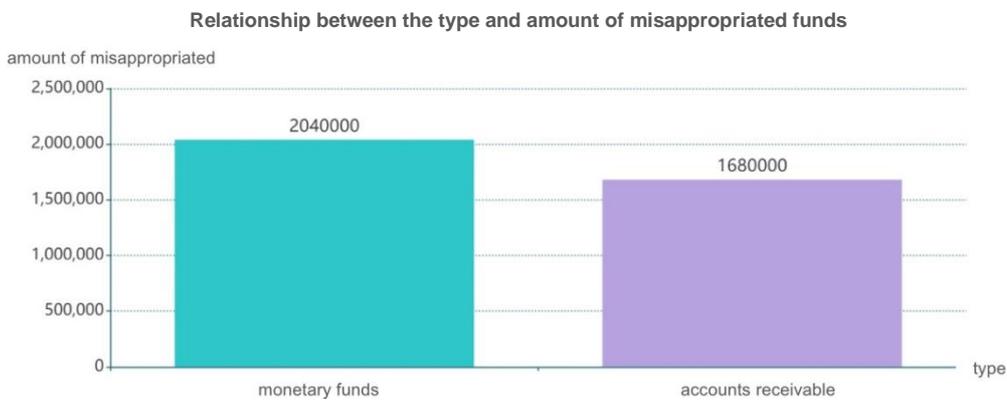


Data shows that the amount misappropriated in the financial and insurance industry was the highest, followed by the real estate industry. There was a small gap among the lease and business service industry, the building industry, and the transportation and warehousing industry in respect of the amount misappropriated.

According to China’s ranking of industries by net profit margin in 2018, the top three industries were banking, non-bank financial, and real estate industries. Among them, the net profits of the banking industry are more than 3 times the sum of the non-bank financial and real estate industries. Considering that the state-owned commercial banks take a large proportion, they are not analyzed in this Report. Thus it can be concluded that the amount misappropriated is positively correlated with the profitability and prosperity of the industries.

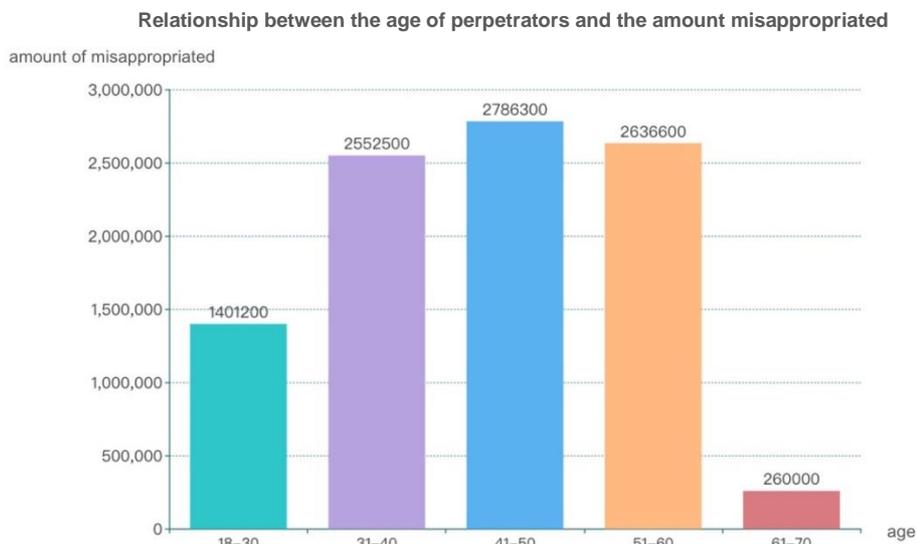
(III) Relationship between the type and amount of misappropriated funds

For the purpose of this Report, monetary funds refer to funds that can be controlled by an enterprise in the process of financing, investment, operation, and other financial activities; and accounts receivable refer to the creditor’s rights generated by an enterprise in such activities like sales of goods, provision of labor services, and payment of expenses on behalf of others, or the creditor’s rights that are formed legally due to agency by estoppel even if the enterprise is not explicitly aware of the same. The misappropriation of accounts receivable basically occurred in the sales link. The amount of monetary funds misappropriated was slightly high, up to RMB 2.04 million, covering all links except sales.



(IV) Relationship between the age of perpetrators and the amount misappropriated

The average amount misappropriated by perpetrators aged between 41 and 50 was the highest, up to RMB 2,786,300, followed by that misappropriated by perpetrators aged between 51 and 60 and between 31 and 40, with the difference between them being small. The average amount misappropriated by perpetrators aged between 18 and 30 was obviously less than those misappropriated by perpetrators in the above three age groups.



We hold that the above situation is related to the career development and personal life of employees. On the one hand, the career development of employees can be summarized as a curve that rises and then falls. Employees have a low starting point at the start of their career. With the enhancement of their competence and accumulation of work experience, their work has become more and more important. Especially when aged between 41 and 50, they often reach the peak of their careers and the quantity of businesses and amount of funds that they are able to deal with also reach their maximum. After the age of 50, as retirement is approaching and their energy is getting worse than before, they have gradually resigned from a leading post.

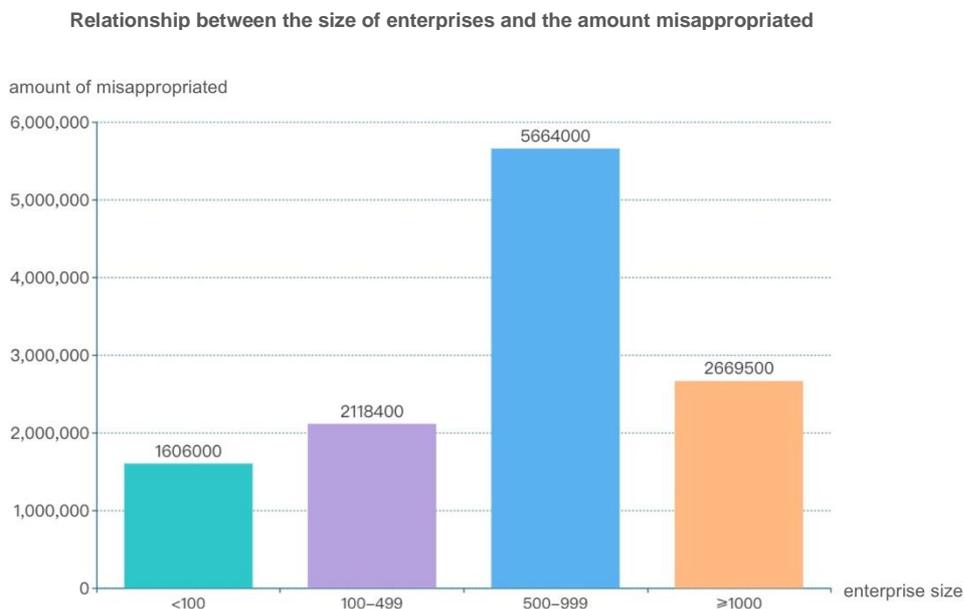
(V) Relationship between the years of employment and the amount misappropriated



Perpetrators with 2 to 5 years of employment cause losses of RMB 264 million in total to enterprises, accounting for 36.58% of the total amount. The average amount misappropriated by perpetrators in this age group was up to RMB 4,788,800, ranking the first. The amount misappropriated by perpetrators in other age groups is directly proportional to the years of employment.

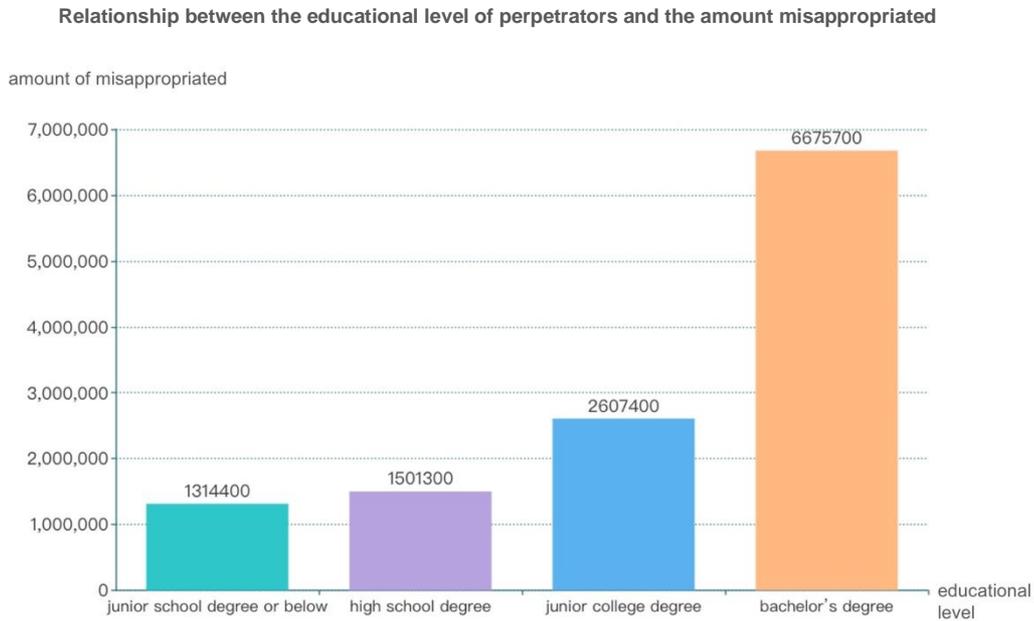
Regarding the issue of a higher amount misappropriated by perpetrators with 2 to 5 years of employment, there are two scenarios. One is that it is related to age, which is consistent with the above analysis of the relationship between the age of perpetrators and the amount misappropriated. The other is that it is irrelevant to age, that is, the perpetrator has worked in one or more other companies for a long time before being employed with the company. Such personnel can quickly start work after entering a company. They are also able to look for opportunities for misappropriation of funds by comparing the difference in management between the company and their former employers.

(VI) Relationship between the size of enterprises and the amount misappropriated



Generally speaking, the size of enterprises is directly proportional to the amount misappropriated, but it can be found from the above chart that the amount misappropriated in medium-sized enterprises with 500 to 999 employees is much higher than the average level of the whole industry. As described above, the number of cases involving medium-sized enterprises with 500 to 999 employees was the fewest, but the amount involved was the highest, indicating that enterprises with 500 to 999 employees must pay more attention to internal control. Large enterprises with 1,000 employees or more ranked the second, and the subsequent rankings of enterprises accord with the general rule.

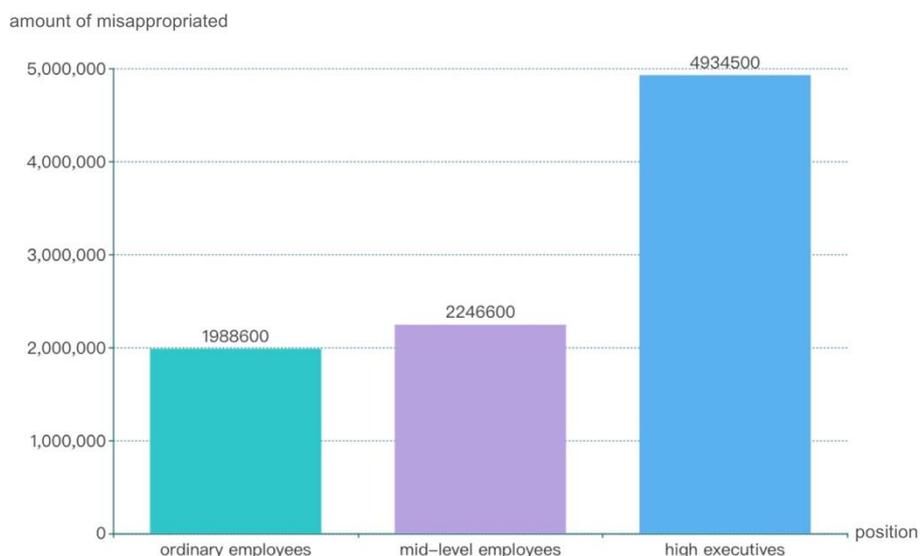
(VII) Relationship between the educational level of perpetrators and the amount misappropriated



There were 221 perpetrators whose education levels were available, including 30 persons with a bachelor's degree, 47 with a junior college degree, 59 with a high school degree, 85 with a junior school degree or below, and 0 people with a master's degree or above. Despite the small number of perpetrators with a bachelor's degree, the average amount misappropriated by them was far higher than that misappropriated by those with other educational levels. Therefore, the position reflected by the educational level is directly related to the amount misappropriated.

(VIII) Relationship between the position of perpetrators and the amount misappropriated

Relationship between the position of perpetrators and the amount misappropriated



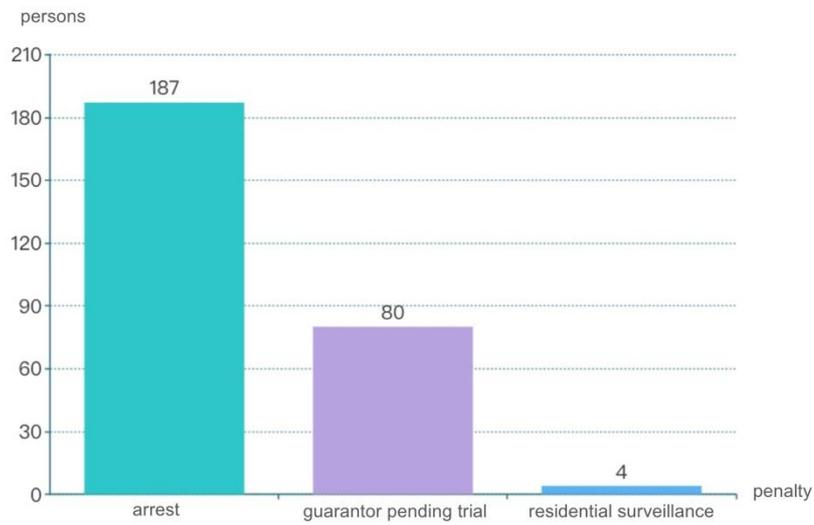
The amount misappropriated by senior executives was RMB 174 million, accounting for 24.67% of the total. The average amount misappropriated by senior executives was RMB 4,934,500, that misappropriated by mid-level employees was RMB 2,246,600, and that misappropriated by ordinary employees was RMB 1,988,600. Data shows that the higher the level of the position of the perpetrators, the higher the average amount misappropriated and the greater the harm to enterprise. In particular, senior executives assumed certain management and supervision duties, but they lacked constraints and had their hands in the till. In addition, senior executives are in high positions. Once they commit a fraud crime of misappropriation of funds, it will bring huge losses to the enterprise.

III. Judicial Disposition of Cases of Misappropriation of Funds

(I) Statistics on coercive measures against perpetrators

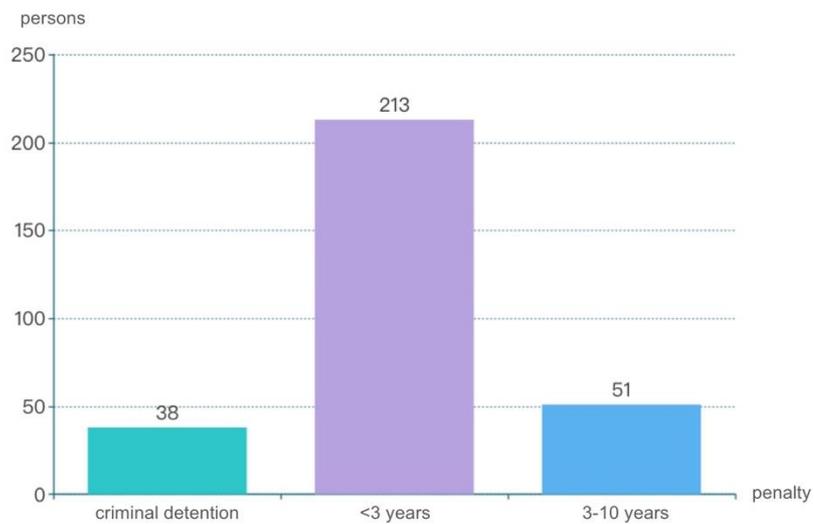
The valid data shows that there were 187 perpetrators who were arrested, 4 perpetrators who were subject to residential surveillance, and 80 perpetrators who obtained a guarantor pending trial, and the detention rate was about 70%.

Statistics on coercive measures against perpetrators



(II) Statistics on principal punishments

Statistics on principal punishments



The perpetrators who were sentenced to fixed-term imprisonment of not more than 3 years accounted for 70.52%, those who were sentenced to fixed-term imprisonment of 3 to 10 years accounted for 16.89%, and those who were detained (more than one month but less than 6 months) accounted for 12.59%. Among the above perpetrators who were given criminal punishments, there were 107 persons who were given probation.

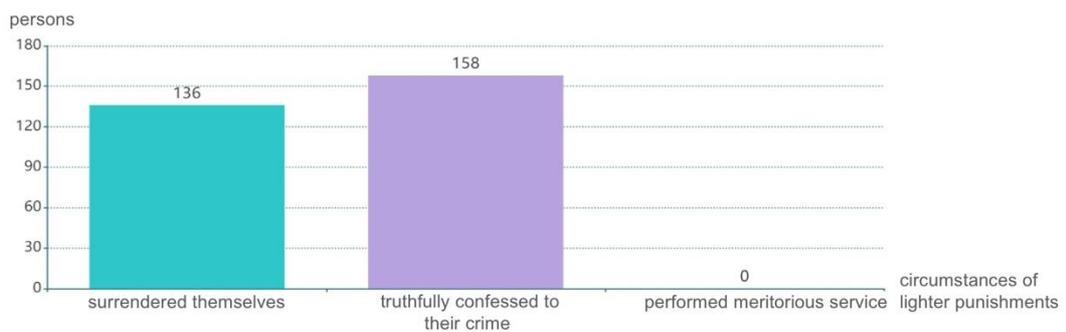
(III) Statistics on circumstances of lighter punishments except for return of or compensation for the misappropriated funds

Among the 303 employees who committed a crime of misappropriation of funds, there were 136 persons who surrendered themselves, 158 persons who truthfully confessed to their crime, and 9 persons to whom no lighter punishment applied. There were 293 perpetrators who truthfully confessed to their crime after appearing in court, accounting for 97%.

The above figure, on the one hand, reflects the characteristics of the case of misappropriation of funds, i.e., “emphasizing objective evidence and overlooking confession”, and on the other hand, indicates that most of the fraud perpetrators were willing to actively cooperate with the judicial organ in the process of judicial disposition, to strive to receive lighter punishments.

It is worth noting that in the cases of crime of misappropriation of funds included in the statistics, there was no perpetrator who performed meritorious service.

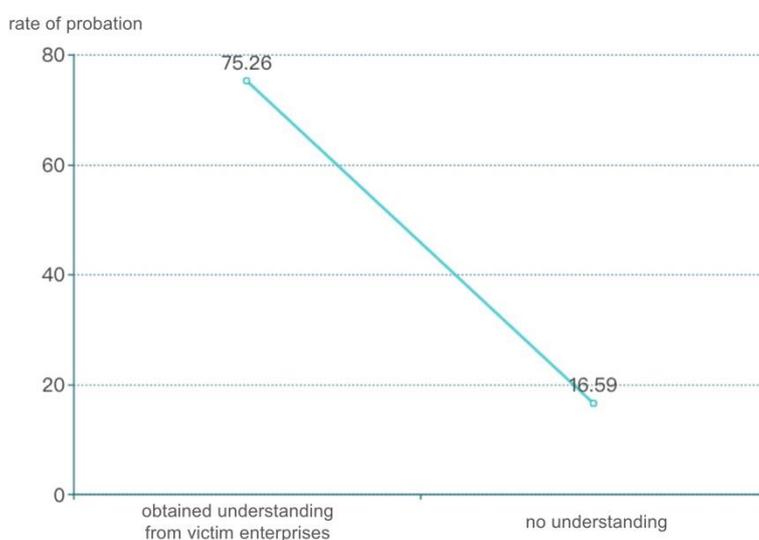
Statistics on circumstances of lighter punishments except for return of or compensation for the misappropriated funds



(IV) Relationship between the understanding given by enterprises and the probation

There were 97 perpetrators who obtained the understanding from the enterprises, of whom 92 persons returned all or part of the misappropriated funds. 73 out of the 92 persons were given probation. In other words, in the cases of misappropriation of funds where the perpetrators obtained understanding from the enterprises, the rate of probation was up to 75.26%. In the 206 perpetrators who failed to obtain understanding from the enterprises, the rate of probation was only 16.59%.

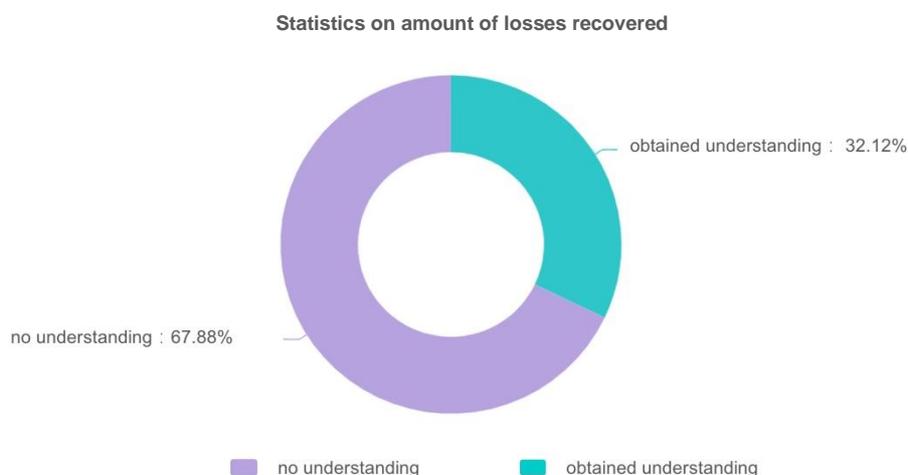
Relationship between the understanding given by enterprises and the probation



(V) Statistics on amount of losses recovered

There were 199 cases where the enterprises recovered economic losses through judicial remedies and such matter was explicitly recorded in the judgments, accounting for 67.88% of the total.

In the above 199 cases, there were 114 cases where the losses were fully recovered, accounting for 57.28%. The average amount of losses recovered was RMB 950,900, the average amount of misappropriated funds was RMB 1,849,500, and the rate of losses recovered was 51.41%.



The circumstance where perpetrators refused to return the misappropriated funds or to pay compensation mainly occurred in cases where the amount of misappropriated funds was huge. If the amount misappropriated reaches millions of RMB or even tens of millions of RMB, the perpetrators will be unable to return the misappropriated funds or pay compensation, or even if they return or pay a small amount of money, it is still not enough for them to receive a lighter punishment.

In general, the cases where the enterprises can effectively and fully recover losses through criminal remedies accounted for more than 50% of the total.

Part III Crime of Accepting Bribes by Non-State Functionaries

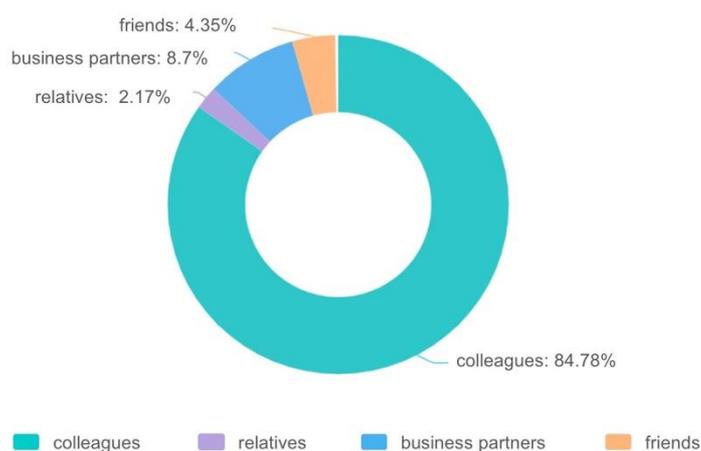
The crime of accepting bribes by non-state functionaries refers to the act where an employee of a company, enterprise, or other units, by taking advantage of his/her position, demands money or property from another person or illegally accepts another person's money or property in return for the benefits he/she seeks for such person during business transactions, and the amount involved is relatively large.

In the precedents for cases of "crime of accepting bribes by non-state functionaries" obtained from the Alpha database, there were 162 cases related to the fraud committed by internal employees. Other cases were about the acceptance of bribes by members of villagers autonomous organizations or other matters irrelevant to enterprises, and there were also few cases which were not counted due to the judgments being not disclosed. Among the 162 valid cases, the average amount of bribes accepted was RMB 541,500, and the highest amount of bribes accepted in a case was up to RMB 5,195,300.

There were 195 fraud perpetrators in the above cases. According to the statistical results, the subjects of the crime of accepting bribes by non-state functionaries were young and middle-aged people, i.e., employees aged between 31 and 50, and the average age of perpetrators was 38 years old.

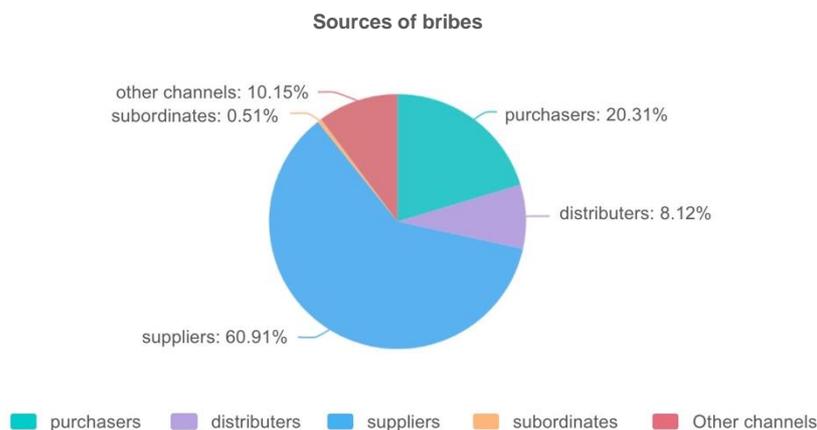
Regarding the crime of accepting bribes by non-state functionaries, the cases of joint crime accounted for the highest proportion. Statistics show that there were 47 cases of joint crime, accounting for 24.10%. In the cases of joint crime committed by multiple persons inside an organization, other perpetrators were colleagues. In the cases of joint crime committed by persons both inside and outside an organization, the external perpetrators were mainly relatives, friends, and business partners.

Statistics on joint crime regarding the crime of accepting bribes by non-state functionaries



I. Behavioral Analysis of the Crime of Accepting Bribes by Non-State Functionaries

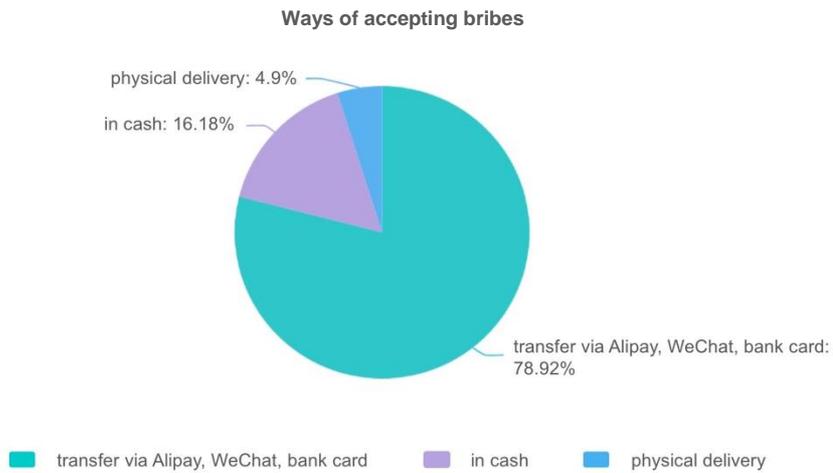
(I) Sources of bribes



Bribes accepted by non-state functionaries were from suppliers, purchasers, distributors, subordinates, and other channels. Among them, the “other channels” mainly include corporate competitors, third-party companies, middlemen, etc. The above chart shows bribes accepted by non-state functionaries were mainly from suppliers, accounting for 60.91%.

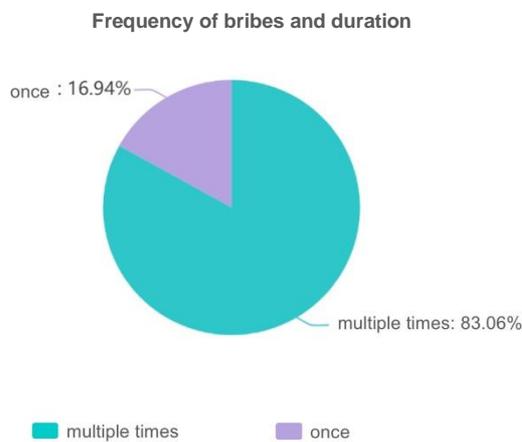
(II) Ways of accepting bribes

In the cases available, the cases where bribes were accepted through transfer via Alipay, WeChat, bank card, etc. accounted for 78.92%. Only 16.18% of the cases involved the acceptance of bribes in cash, and the amounts involved were not large. The cases where bribes were accepted through physical delivery accounted for the smallest proportion (4.9%), and such physical delivery was generally accompanied by a transfer or cash delivery. Shopping cards were the most common in physical delivery, followed by houses, vehicles, and electronics.



(III) Frequency of bribes and duration

The frequency of bribes is divided into a single time and multiple times. There were 31 persons who accepted bribes once, accounting for 16.94%. There were 152 persons who accepted bribes multiple times, about 5 times the number of persons who accepted bribes once. The acceptance of bribes by defendants who accepted bribes multiple times lasted for 23 months on average. There were 111 persons who continuously accepted bribes for more than one year, accounting for 60.66%.

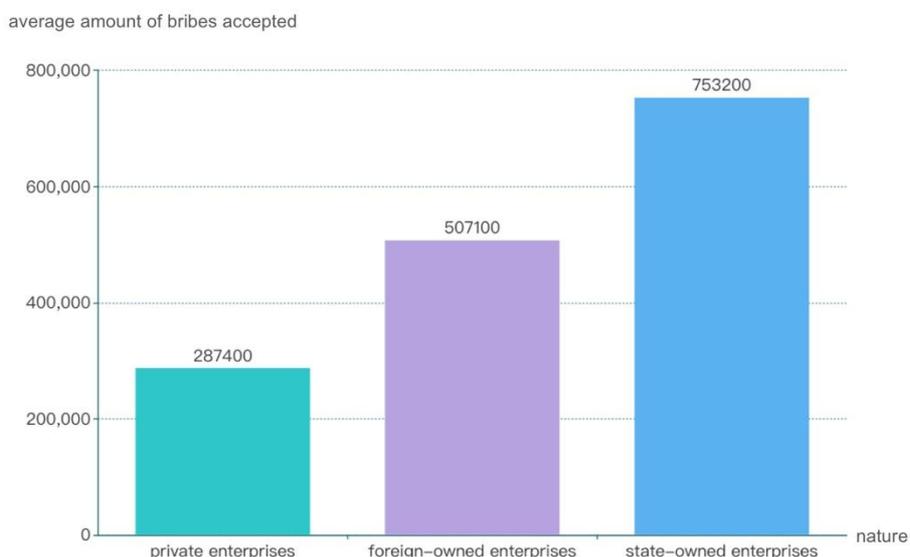


II. Analysis of the Amount of Bribes

(I) Nature of enterprises and the average amount of bribes accepted

The average amount of bribes accepted by fraud perpetrators from private enterprises was the lowest, which was RMB 287,400, followed by that accepted by fraud perpetrators from foreign-owned enterprises, which was RMB 507,100. The average amount of bribes accepted by fraud perpetrators from state-owned enterprises was the highest, up to RMB 753,200.

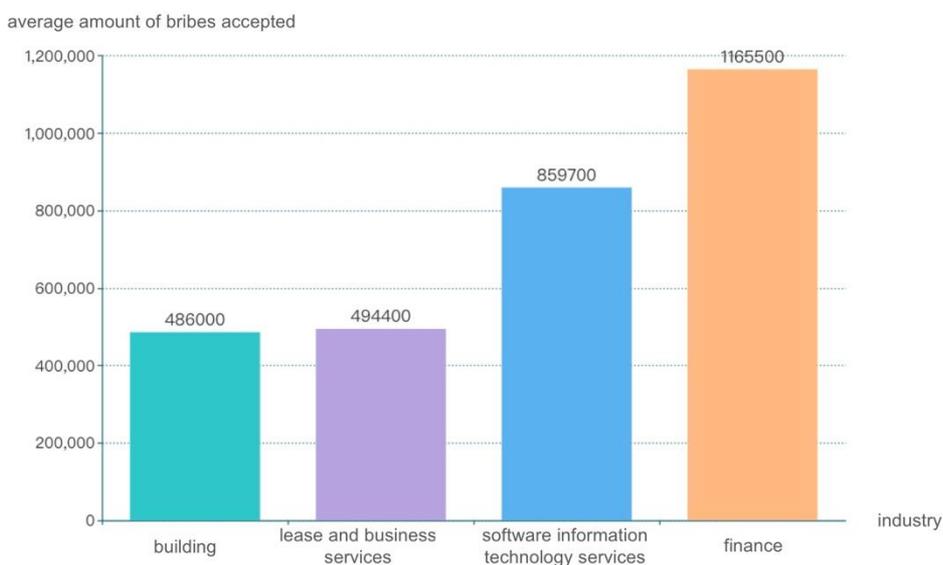
Nature of enterprises and the average amount of bribes accepted



(II) Type of industry and the average amount of bribes accepted

In the precedents for cases of accepting bribes by non-state functionaries, the enterprises where fraud perpetrators worked involve more than a dozen industries such as manufacturing, education, construction, wholesale and retail, information technology services, and transportation and warehousing industries. However, statistics show that the average amount of bribes involved in the four industries, i.e., real estate, lease and business services, software information technology services, and financial and insurance industries, was the highest. Statistics show that the average amount involved in the financial and insurance industry was relatively high, partly because the bribes accepted by a perpetrator in a case amounted to RMB 5,195,300.

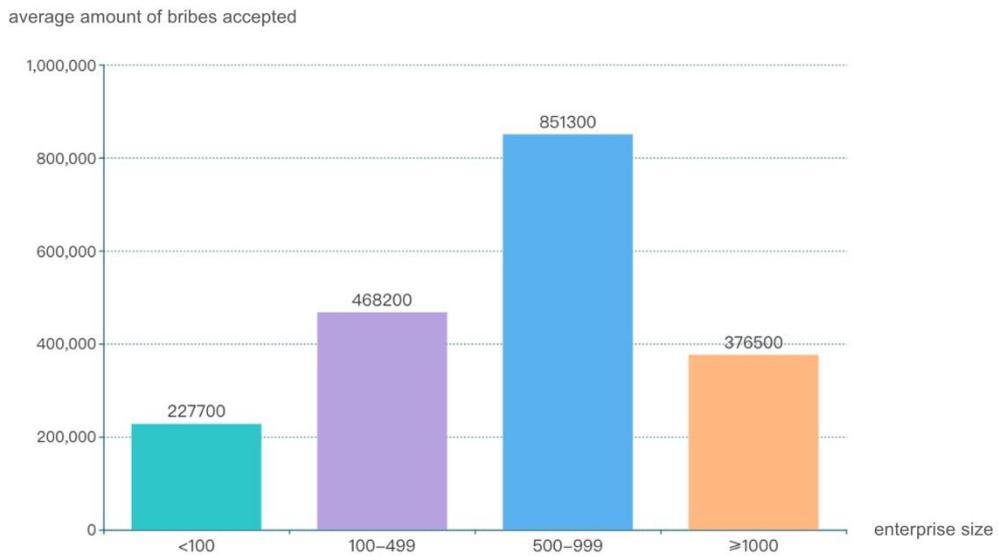
Type of industry and the average amount of bribes accepted



(III) Size of enterprises and the average amount of bribes accepted

Data shows that the average amount involved in enterprises with less than 100 employees was the lowest, which was RMB 227,700, followed by that involved in enterprises with 1,000 employees or more, which was RMB 376,500; that involved in enterprises with 100 to 499 employees was RMB 468,200; and that involved in enterprises with 500 to 999 employees was the highest, up to RMB 851,300.

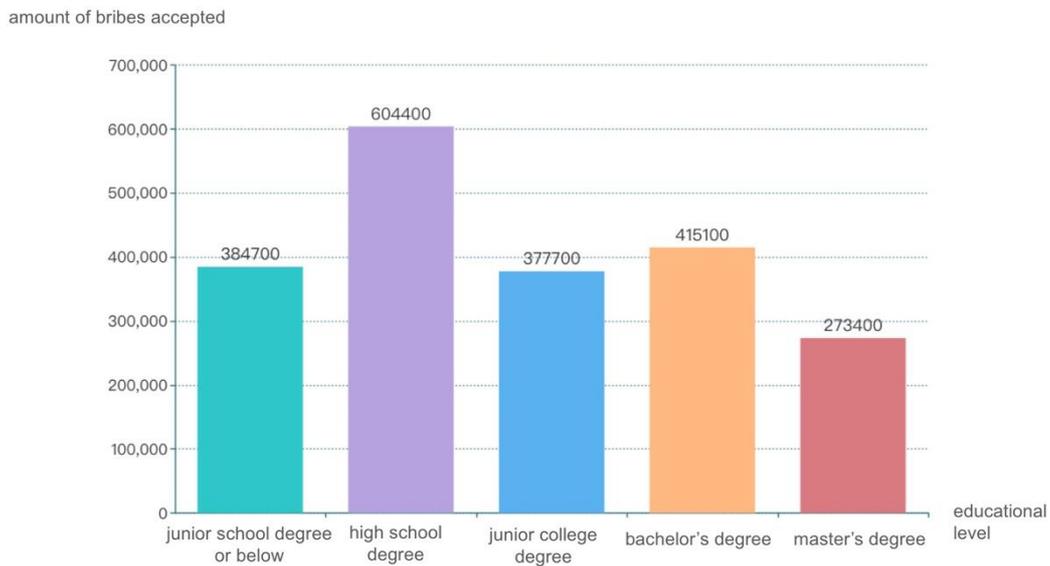
Size of enterprises and the average amount of bribes accepted



(IV) Relationship between the educational level of fraud perpetrators and the amount of bribes accepted

According to statistics, the education levels of fraud perpetrators sorted by the average amount of bribes accepted in descending order are as follows: senior high school degree, bachelor’s degree, junior high school degree or below, junior college degree, and master’s degree. This shows that the educational level of perpetrators is not obviously related to the average amount of bribes accepted, but the average amount of bribes accepted by perpetrators with a senior high school degree significantly exceeded that accepted by those with other educational levels, up to RMB 604,400.

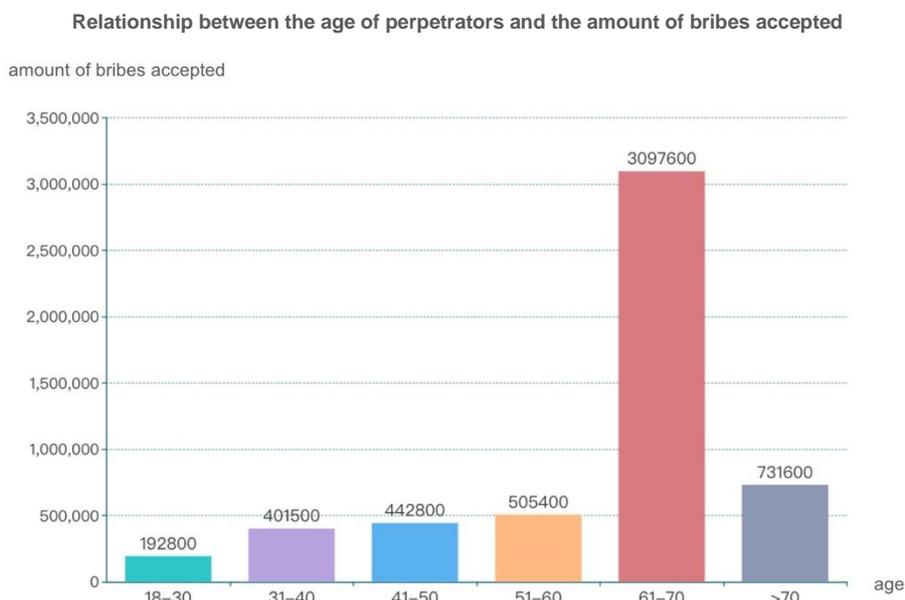
Relationship between the educational level of fraud perpetrators and the amount of bribes accepted



(V) Relationship between the age of perpetrators and the amount of bribes accepted

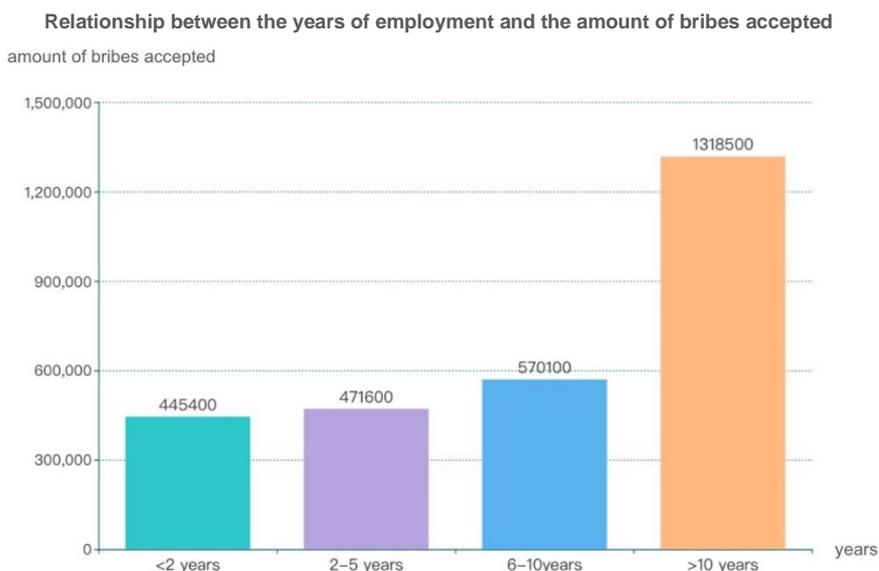
Data shows that the average amount of bribes accepted by perpetrators aged between 61 and 70 was the highest, up to RMB 3,097,600. However, according to the above statistics, the number of perpetrators over the age of 60 was the least, therefore, such amount was not so representative. The average amount of bribes accepted by perpetrators aged between 18 and 30 was RMB 192,800, which was the lowest among all age groups.

On the whole, the age group is positively correlated with the average amount of bribes accepted, mainly attributable to two factors: Firstly, with the increase of age and qualifications, perpetrators tended to have higher positions and greater authority; secondly, crimes committed by these perpetrators usually lasted for a longer time and occurred frequently.



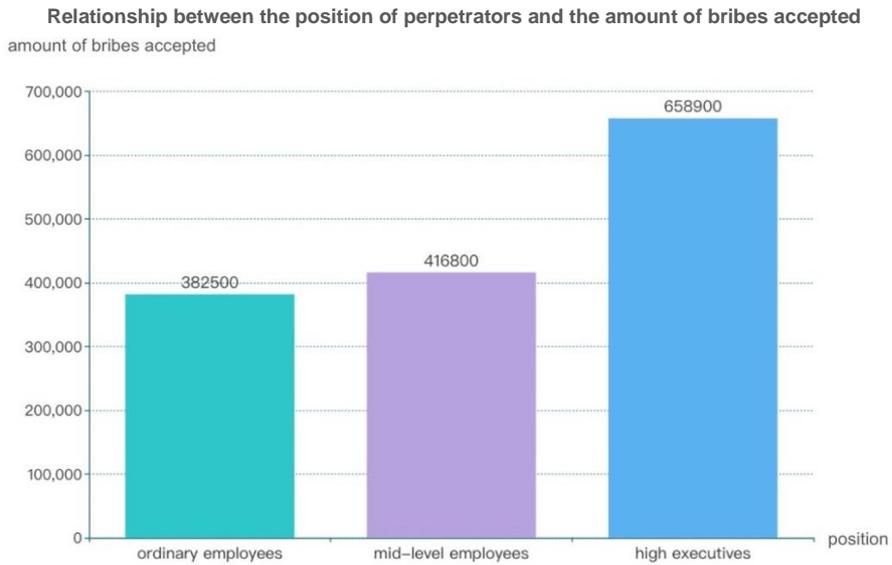
(VI) Relationship between the years of employment and the amount of bribes accepted

Statistics show that the average amount of bribes accepted by perpetrators is directly proportional to the years of employment. The average amount of bribes accepted by employees with more than 10 years of employment was RMB 1,318,500, far higher than that accepted by those with other years of employment.



(VII) Relationship between the position of perpetrators and the amount of bribes accepted

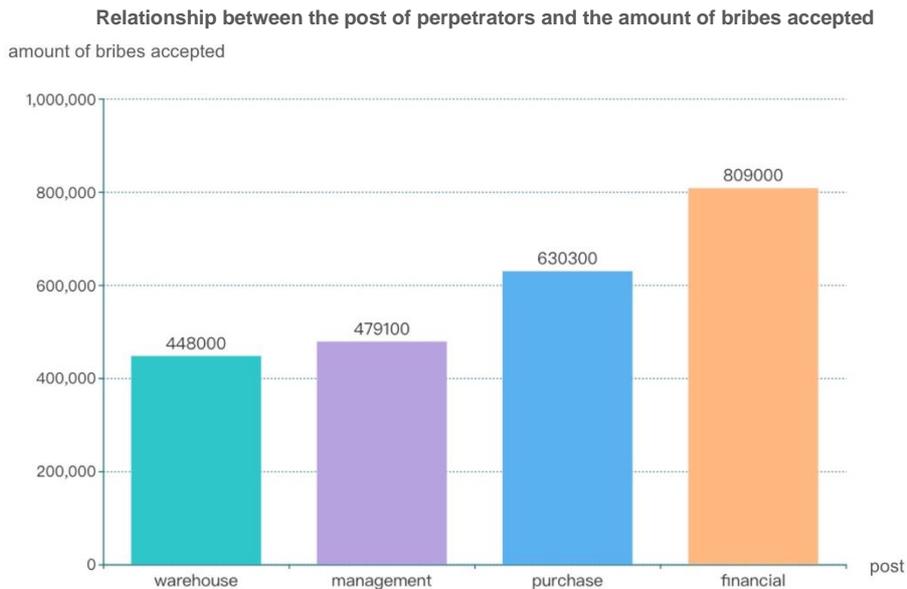
It can be seen from the chart below that the level of position of perpetrators is positively correlated with the average amount of bribes accepted, and the average amount of bribes accepted by senior executives was the highest, up to RMB 658,900. This is mainly because the senior executives have greater authority and can take better advantage of their position. In addition, they are able to create more illegal benefits for bribers.



(VIII) Relationship between the post of perpetrators and the amount of bribes accepted

The following chart shows the top four posts in terms of the average amount of bribes accepted: warehouse, management, procurement, and financial posts. People holding these posts are also more likely to commit fraud crimes.

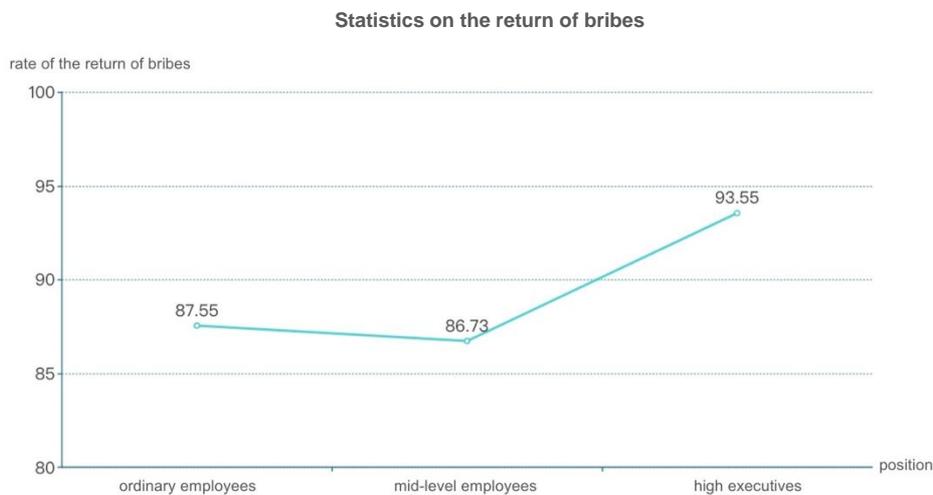
Among them, the average amount of bribes accepted by warehouse personnel was RMB 448,000; that accepted by management personnel was RMB 479,100; that accepted by procurement personnel was RMB 630,300, and that accepted by financial personnel was RMB 809,000.



III. Judicial Disposition of Crime of Accepting Bribes by Non-State Functionaries

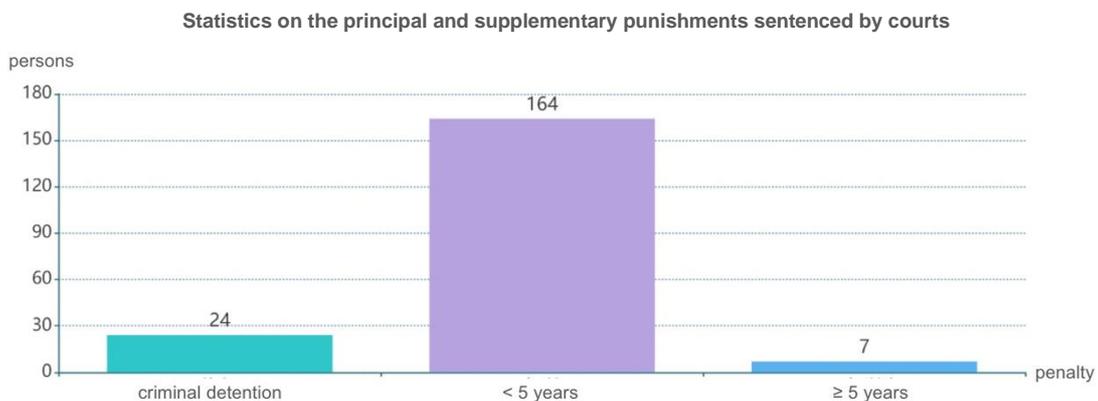
(I) Statistics on the return of bribes

As there were two perpetrators whose position cannot be determined in the 195 perpetrators, the valid data includes 193 perpetrators. Among them, there were 49 ordinary employees, 43 of whom returned the bribes, with the return rate being 87.55%; 113 mid-level employees, 97 of whom returned the bribes and one of whom paid compensation to the victim company, with the return rate being 86.73%; and 31 senior executives, 29 of whom returned the bribes, with the return rate being 93.55%.



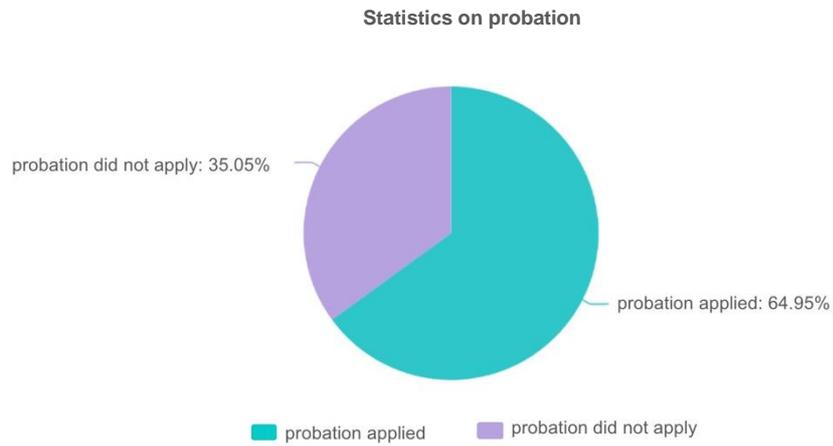
(II) Statistics on the principal and supplementary punishments sentenced by courts

The criminal punishments sentenced by the courts in the cases of accepting bribes by non-state functionaries are as follows: there were 24 persons sentenced to criminal detention, 164 sentenced to fixed-term imprisonment of not more than 5 years, and 7 sentenced to fixed-term imprisonment of more than 5 years. Among them, there were 6 persons who were also sentenced to confiscation of property, with the average amount confiscated being RMB 188,300.



(III) Statistics on probation

There were 126 persons to whom the probation applied, accounting for 64.95% and 68 persons to whom the probation did not apply, accounting for 35.05%.



Part IV

Crime of Infringing upon Citizens' Personal Information

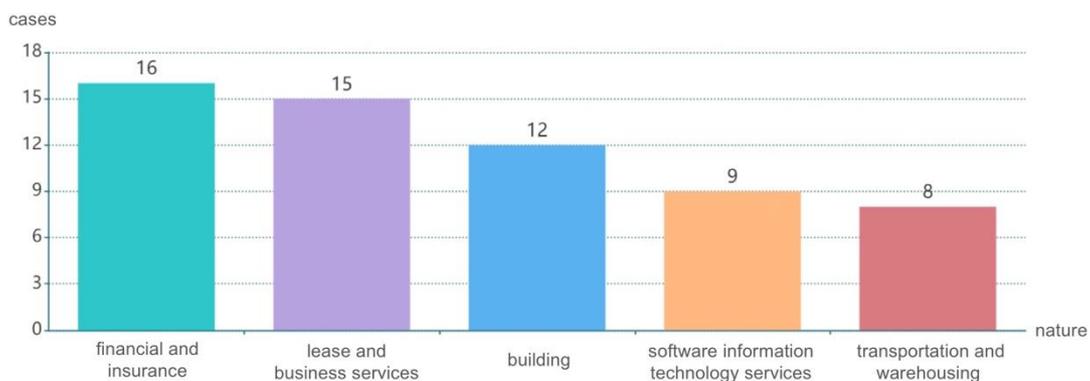
"Citizens' personal information" refers to any information recorded electronically or otherwise which can be used alone or in combination with other information to identify a specific natural person or to reflect the activities of a particular natural person, including name, ID number, communication and contact information, home address, account password, property status, whereabouts, trails, etc.

In this Report, the categories of citizens' personal information mainly include: "owner's personal information", including the name, contact number, housing property structure information, etc. of the real estate owner; "financial customer information", including the name, contact number, property information, etc., provided by citizens when purchasing wealth management products and insurance products; "express waybill information", including the name, contact number, residential address, etc. used for the receiving and sending of packages; "online shopping transaction information", including the name, contact number, account password, shopping information, etc. involved in online shopping; and "citizens' other personal information", including the information that cannot identify the citizens in a specific range.

We obtained 1,003 precedents for cases of the crime of infringing upon citizens' personal information in 2018 from the Alpha database, of which, there were 67 cases related to the fraud committed by internal employees, accounting for less than 7%. Among the 67 cases, the average number of citizens' personal information involved was 198,300 pieces, and the maximum number of citizens' personal information involved in a case was 5.16 million pieces; the average amount of illegally obtained profit was RMB 27,300, and the highest amount of illegally obtained profit in a case was RMB 300,000.

The crime of infringing upon citizens' personal information presents a younger-age trend overall, and all perpetrators were younger than 40 years old. The crime of infringing upon citizens' personal information was mainly centralized in the financial and insurance, lease and business services, and real estate industries, and cases involving these three industries accounted for 65.15% of the total.

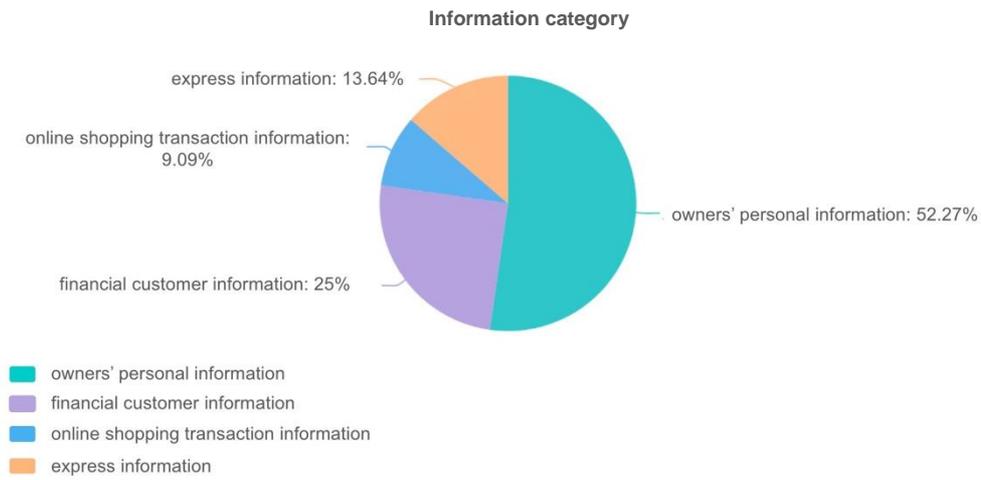
Statistics on crimes of infringing upon citizens' personal information and industries



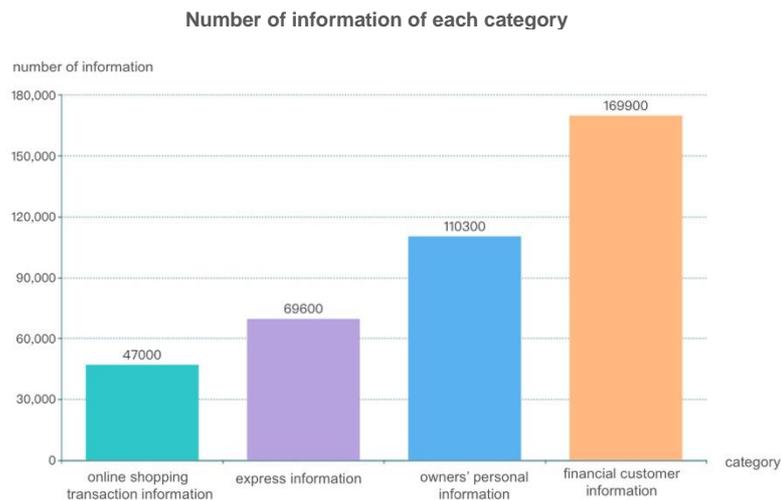
I. Analysis of the Infringed Citizen’s Personal Information

(I) Information category

In the 67 cases, there were 44 cases where the category of the citizens’ personal information can be identified. Among them, there were 23 cases involving the “owner’s personal information”, accounting for 52.27%, followed by the cases involving the “financial customer information” (11 cases), accounting for 25%.



(II) Number of information of each category

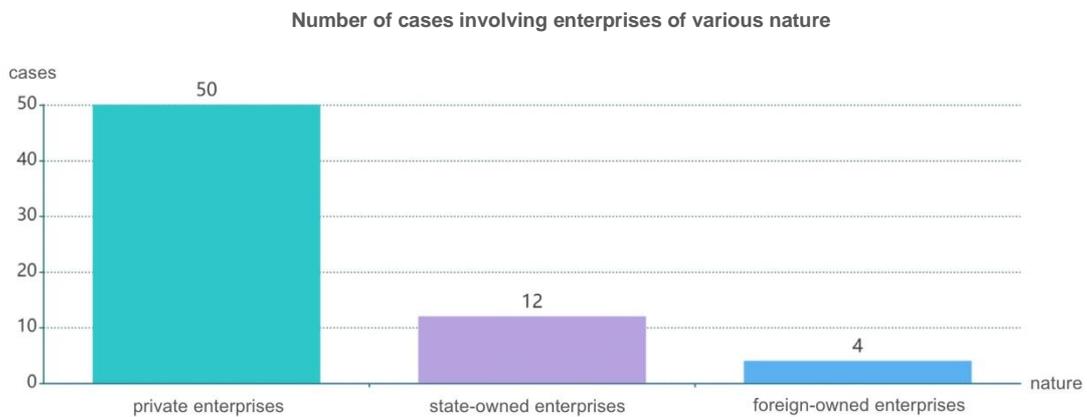


The average number of information involved in cases about “financial customer information” related to wealth management and insurance products was the highest, up to 169,900 pieces. The average number of information involved in cases about the “owner’s personal information” was 110,300 pieces.

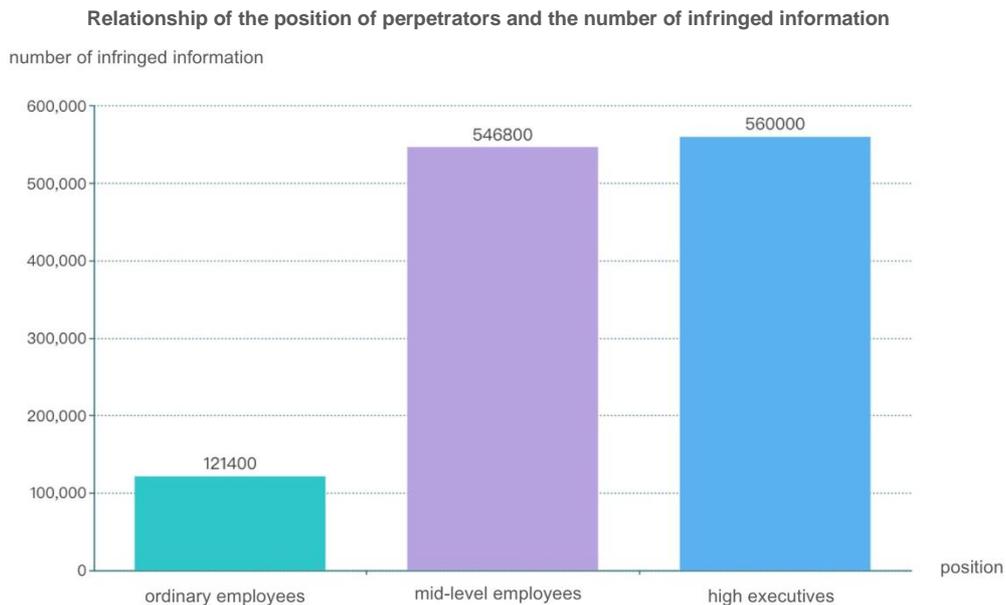
(III) Number of cases involving enterprises of various nature

With regard to the crime of infringing upon citizens’ personal information, there were 50 cases involving private enterprises, 12 cases involving state-owned enterprises, and 4 cases involving foreign-owned enterprises.

Private enterprises are mainly real estate enterprises and real estate agencies. Therefore, the leakage of “owner’s personal information” was serious, and there were 20 cases about it. State-owned enterprises were mainly securities companies, banks, etc. Therefore, the leakage of “financial customer information” was serious, and there were 6 cases about it. There were few cases of infringement upon citizens’ personal information involving foreign-owned enterprises.



(IV) Relationship of the position of perpetrators and the number of infringed information

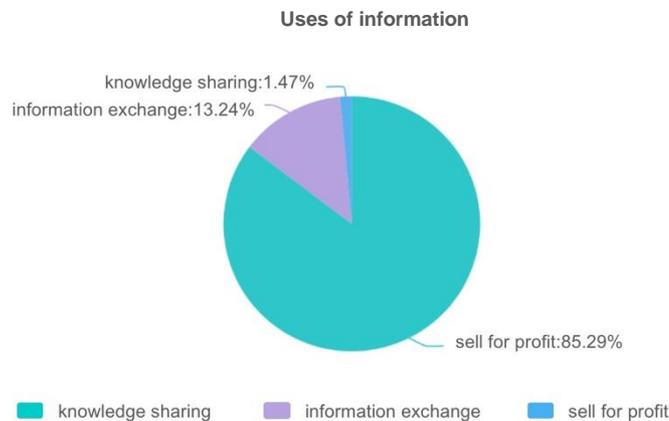


There was a large number of citizens' personal information sold or exchanged by mid-level employees and senior executives, up to 550,000 pieces on average. The number of citizens' personal information sold or exchanged by ordinary employees was 121,400 pieces. It can roughly reflect the fact that mid-level employees and senior executives have more access to personal information than ordinary employees.

(V) Uses of information

In most cases, after obtaining citizens' personal information, fraud perpetrators would sell such information to other industry personnel who need such information for the purpose of conducting targeted product promotions. There were 58 related cases, accounting for 85.29%. There were also some perpetrators who had established long-term cooperation with personnel other than those involved in the case and exchanged the citizens' personal information that they obtained with each other, and there were 9 related cases, accounting for 13.24%.

In addition, there was a special case where an employee of a company uploaded the company's database information (including the names, genders, employee ID, work locations, positions, etc. of the company's employees) and the company's related system source codes to the code-sharing platform GitHub for learning, exchange, and use by technical enthusiasts.



II. Analysis of the Amount of the Illegally Obtained Profit from Infringement upon Citizens' Personal Information

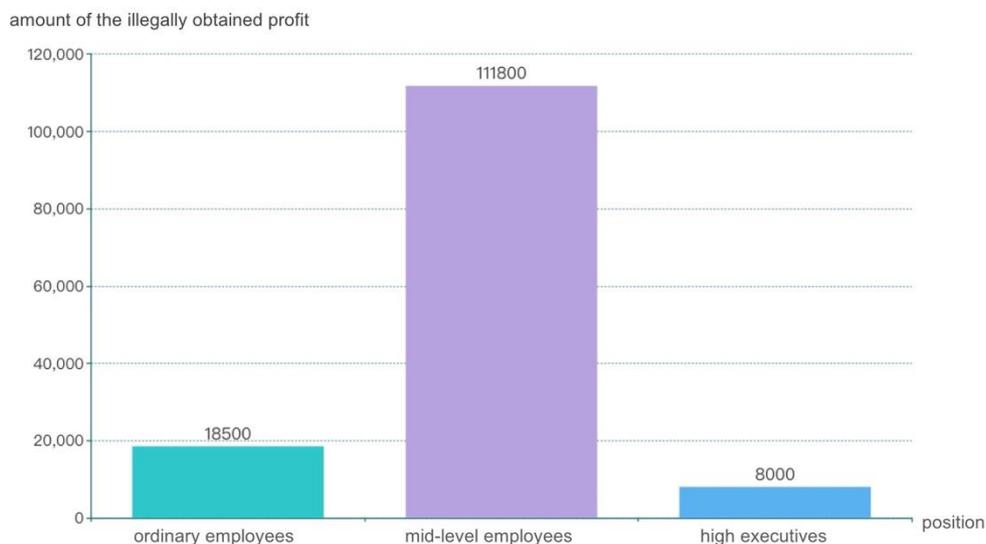
(I) Overview of the amount of the illegally obtained profit

Among the 67 cases of infringement upon citizens' personal information, the total amount of the illegally obtained profit was RMB 1,120,700, the average amount of illegally obtained profit was RMB 27,300, and the highest amount of illegally obtained profit in a case was RMB 300,000.

(II) Relationship between the position of perpetrators and the amount of the illegally obtained profit

The average amount of profit illegally obtained by mid-level employees was relatively high, up to RMB 111,800, about 6 times the amount illegally obtained by ordinary employees. Due to the small samples of senior executives, the strong correlation between senior executives and the amount of the illegally obtained profit was not seen.

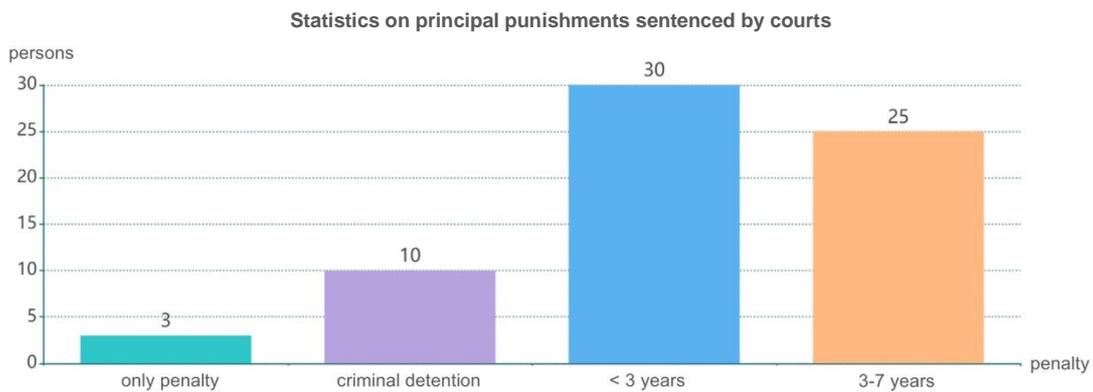
Relationship between the position of perpetrators and the amount of the illegally obtained profit



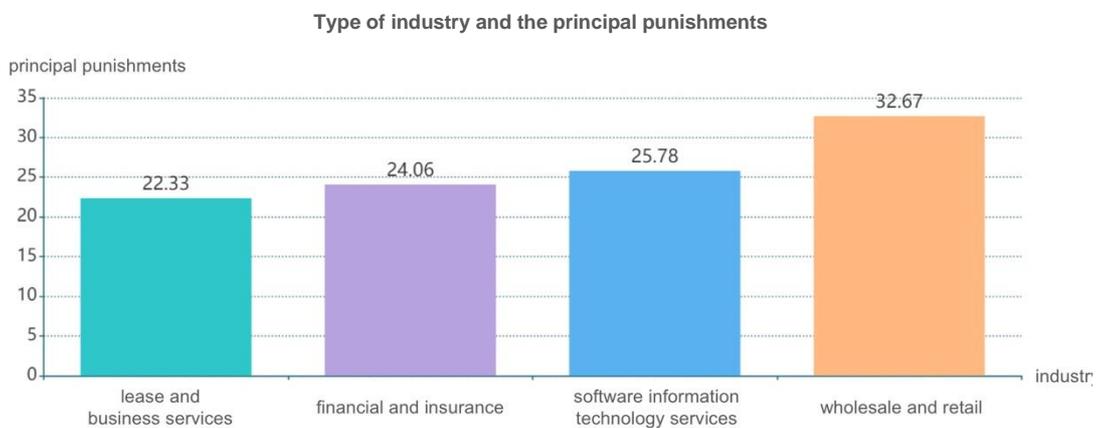
III. Judicial Disposition of Infringement upon Citizens' Personal Information

(I) Statistics on principal punishments sentenced by courts

In the cases of infringement upon citizens' personal information, there were 30 persons sentenced to fixed-term imprisonment of not more than 3 years; 25 sentenced to fixed-term imprisonment of 3 to 7 years, and 10 sentenced to criminal detention. There were only 3 cases where 3 persons were separately imposed with fines.



(II) Type of industry and the principal punishments



Regarding the cases of infringement upon citizens' personal information occurring in the retail and wholesale industry, there were generally more pieces of information involved. As a result, the average term (month) of imprisonment involved in these cases ranked the first, exceeding 32 months.

Regarding the cases of infringement upon citizens' personal information occurring in the financial and insurance industry, most of the perpetrators were given a heavier punishment in accordance with the law due to the fact that they "sold or provided the citizens' personal information that they obtained in the process of performing their duties or rendering services", and their average term of imprisonment was also in the first rank.

Part V Computer-Related Frauds

Computer-related frauds mainly involve three types of crimes: the crime of illegal access to computer information system data (having access to data stored, processed, or transmitted in computer information systems), crime of illegal control of computer information system (implementing illegal control of computer information systems), crime of destroying computer information system (deleting, modifying, adding, or interfering with the functions of computer information systems, causing the computer information systems to be unable to run normally).

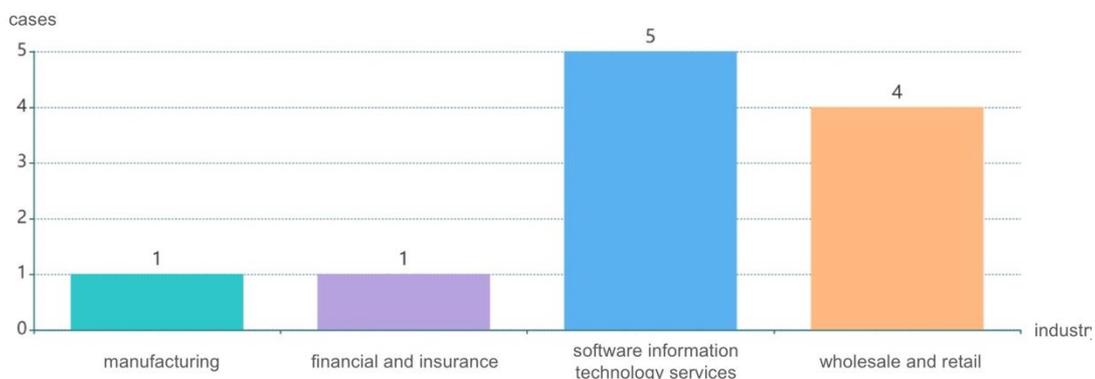
We obtained 266 precedents for cases of these three types of crimes from the Alpha database, most of which were irrelevant to internal employees, and which were mainly about illegally obtaining the victims' account passwords, controlling the victims' mobile phones, or destroying the victims' electronic devices in the process of playing online games and chatting with online friends, so as to commit fraud, extortion, etc.

After screening, there were 13 fraud cases involving internal employees, and a total of 20 defendants were involved. Among them, there were 6 cases of crime of illegal access to computer information system data, one case of the crime of illegal control of computer information system, and 6 cases of crime of destroying computer information system.

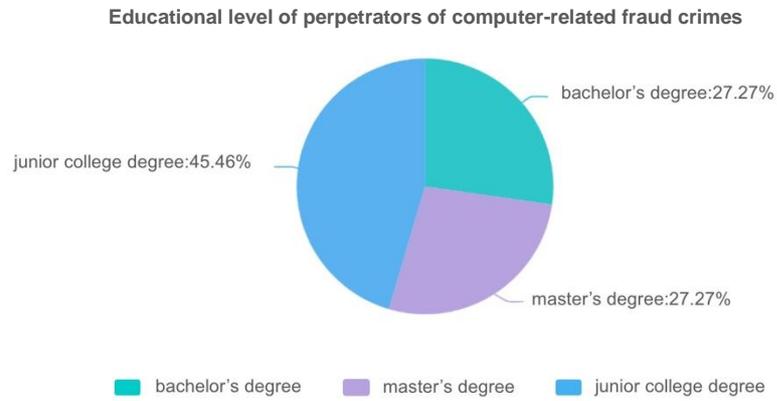
Since the size of samples of data on crimes of computer-related fraud is too small and the impact of some characteristics of individual cases, on the whole, is too big, the statistical induction of these data is of little reference significance to users of this Report. Therefore, this part will summarize the specific cases, in the hope of providing a reference for enterprises to prevent such new types of frauds.

Most of the crimes of computer-related fraud occurred in private enterprises, totaling 9 cases; there were 2 cases occurring in foreign-owned enterprises, and there was no record on such cases occurring in state-owned enterprises. The industries in which these enterprises operate are information technology services (5 cases), wholesale and retail (4 cases), manufacturing (1 case), and financial and insurance industry (1 case).

Statistics on computer-related fraud crimes and industries



Perpetrators of crimes of computer-related fraud generally had a high educational level, and all perpetrators involved in the 13 valid cases had a junior college degree or above.



I. Information of Fraud Perpetrators

(I) Position and major background

In the cases available, there were 6 perpetrators whose position information was available, including 3 game development planners and one software engineer, all of whom had the computer science background. The remaining two perpetrators were management personnel and financial personnel respectively.

Enterprises should avoid a misunderstanding that only technical personnel with computer expertise can commit computer-related crimes. Seen from the criminal facts stated in the existing cases, the behavior of implementing computer intrusion, control, and destruction of computer information systems is very “simple and crude”. Any employee who has basic computer knowledge and can simply operate computers can commit the above frauds.

For example, in the case of illegal control of computer information system committed by Chen and another perpetrator, Chen logged in to the company’s procurement review system by using another person’s account number and password, approved unqualified products, and collected the reward for go-between from the supplier. In this case, the illegal control of computer information system committed by Chen is only using another person’s account and password to log in to the system, and there is absolutely no advanced operation.

As another example, in the case of destroying computer information system committed by Yu, due to discontent overwork, Yu cut the data stored in the computer of the finance department and pasted it to Yu’s mobile hard disk, resulting in the loss of all accounting information of the financial software and failure to view and audit such information. Yu completed the destruction of the computer information system through the simple operations “Ctrl X” and “Ctrl V”.

(II) Behavioral motives of fraud perpetrators

In crimes of computer-related fraud, employees’ behavioral motives can be basically classified into two types, one is profit and the other is retaliation.

These two types of behavioral motives can be easily distinguished in the specific types of crimes, that is, the behavioral motives of the crime of illegal access to computer information system data and the crime of illegal control of computer information system are to seek illegal profits. For example, a game planner, by taking advantage of the position, entered the company’s game server beyond the permission, and added operation instructions, to seek illegal profits by adding items for players and improving the item chance. While in the cases of crime of destroying computer information system, most of the perpetrators committed destruction in order to retaliate against their former employers after being dismissed or discharged. Such behavior harms others without bringing any visible benefit to perpetrators.

II. Characteristics of the Cases of Crimes of Computer-Related Fraud

(I) Diversified manners of fraud

In the cases available, the computer-related frauds were nothing more than access, control, and destruction, but they were implemented in diversified manners.

For example, Li hacked into the company's computer by cracking the password, stole the code data of the fund trading system, and obtained multiple futures, securities, options accounts and passwords. The external manifestation is "stealing data".

In the above case where the game planner added operation instructions to obtain game items, etc., the external expression form is "changing data".

There are also different manners to destroy computer information systems, including simple manual deletion of data and "hacking" operations that trigger the destructive deletion of the database at the specific time through malicious codes. The external manifestation is "deleting data".

(II) Preventive measures taken by enterprises

In the 7 cases of crimes of computer-related fraud for the purpose of seeking profits, there were 5 cases involving the unauthorized access by fraud perpetrators to the company system in violation of regulations. Although the enterprises have prohibitive regulations, they fail to take practical measure to prevent such frauds. The access by fraud perpetrators to the company system all depends on their "willingness" rather than "capability".

In another two cases, though the company had taken certain internal control measures, the employees broke through the company's access restrictions to commit fraud by secretly installing equipment programs and using password cracking software.

In practice, enterprises may establish an information system security and leakage accountability system, set information access permissions, and separate the permissions of incompatible job accounts to prevent computer-related frauds.

(III) Legal recognition of virtual currency

We noted that there was a case involving virtual currency, which is representative to some extent.

The deputy general of an Internet platform company, in collusion with others, invaded the company's computer system, and used the virtual currency in the company's electronic wallet, and was finally determined to commit the crime of illegal access to computer information system data.

The court identified such a case seemingly involving the theft of virtual currency as above mainly based on the following factors: firstly, virtual currency is not considered as a currency or capital in China; secondly, virtual currency, as the virtual property, cannot be considered as property in Criminal Law; and thirdly, virtual currency, as a dynamic data combination, should be deemed as computer information system data.

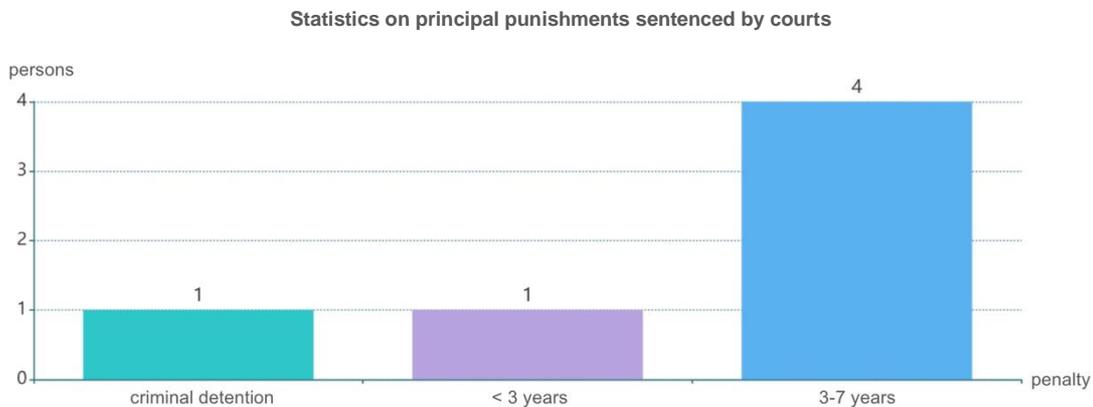
Although the property attribute of virtual currency is not recognized in China, the data value of the virtual currency is recognized. The blockchain technology represented by virtual currency is booming and is being applied in many industries and fields. A large amount of computer information system data related to this will become a new target of computer-related frauds, and it can be predicted that computer-related fraud cases occurring in enterprises will see a high incidence in the future.

III. Judicial Disposition of Crimes of Computer-Related Fraud

(I) Statistics on principal punishments sentenced by courts

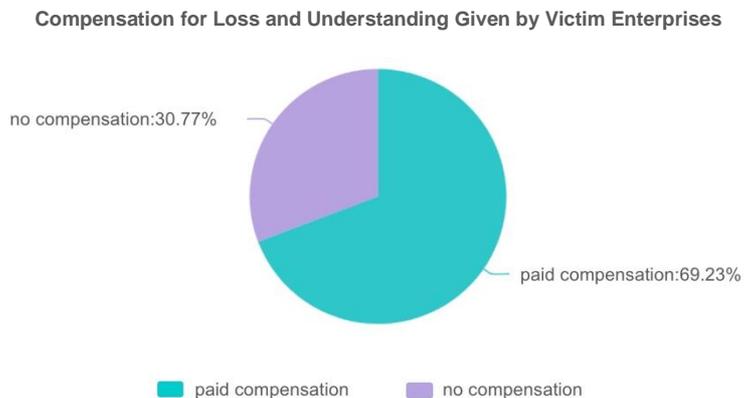
14 perpetrators who committed the crime of illegal access to computer information system data or the crime of illegal control of computer information system were all sentenced to fixed-term imprisonment of not more than 3 years, with an average term of imprisonment of 22 months.

In the 6 perpetrators who committed the crime of destroying computer information system, there was one person sentenced to criminal detention, 4 sentenced to fixed-term imprisonment of not more than 3 years, and 1 sentenced to fixed-term imprisonment of 3 to 7 years, with an average term of imprisonment of 20 months.



(II) Compensation for Loss and Understanding Given by Victim Enterprises

In the 13 cases of crimes of computer-related fraud, there were 9 cases where perpetrators paid compensation before a judgment was handed down, accounting for 69.23%. There were 3 cases where perpetrators obtained understanding from victim enterprises, accounting for 23.08%.



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