

# Chinese banking and insurance regulator introduces new measures to tackle financial crime

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On 2 June 2020, the China Banking and Insurance Regulatory Commission (CBIRC) released new guidelines on how banking and insurance institutions (together, “**Financial Institutions**”) should deal with criminal cases. The new guidelines will come into effect on 1 July 2020 and are intended to improve reporting requirements as well as holding banks and insurance companies accountable for employee misconduct.

This article highlights some of the key provisions in the new guidelines:

1. Cases are classified into “industry” cases and “non-industry” cases.
  - “Industry” cases are defined as criminal cases relating to infringement of the legitimate interests of Financial Institutions and their customers **by the Financial Institutions or their employees** (for example, by way of illegal use of important blank vouchers, seals, business places and so on, or by way of fictitious insurance contracts for illegal fundraising activities).
  - “Non-industry” cases are defined as criminal cases relating to direct use of the products and service channels of Financial Institutions by **external parties** that severely infringe the legitimate interests of Financial Institutions and their customers by fraud, theft, robbery and so on, and the use of violence in the premises of Financial Institutions to harm the personal safety of employees and customers of Financial Institutions.
2. Financial Institutions must report “major” cases of criminal activities to the local government in a timely manner. “Major” cases include those involving: a value of more than 100 million yuan for banking institutions; a value in excess of 10 million yuan for insurance institutions; and risk exposure that exceeds 10% of the Financial Institution’s total assets.
3. Heightened accountability standards apply in relation to “major” cases and cases: involving multiple occasions of violation; resulting from serious misconduct in management or serious failure of internal control; involving instigating, abetting or coercing of others into illegal acts; which are aggravated due to the failure of prompt reporting and rectification; involving tampering or destruction of evidence; or threatening of whistleblowers and witnesses.
4. After a Financial Institution becomes aware or should be aware of the occurrence of a criminal case, it shall report to its headquarters and the local agency within three working days. The local agency will then pass the information on to the relevant department of the CBIRC.
5. Financial Institutions must submit a case conclusion report within eight months of confirming a case, subject to time extensions of three months or less each time upon application supported by written explanation.
6. If the Financial Institutions and relevant persons in question actively eliminate or mitigate the harmful consequences of illegal acts or cooperate with the authorities to investigate them, the CBIRC may reduce the severity of punishments imposed upon them.
7. In relation to the manner of internal accountability, employees of Financial Institutions may face sanctions such as warnings, dismissals, fines and reduction of wages.
8. Financial Institutions should be alert to “risk events” that may be indicators of criminal conduct, including the

departure of and loss of contact with senior staff for unknown reasons, reports from clients of abnormal account balances, major breaches of interbank contracts and so on.

In light of the Mainland regulator's renewed efforts to combat financial crimes, banks and insurance companies with operations on the Mainland should ensure that they have appropriate updated protocols and reporting systems in place in order to comply with the new guidelines.

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