



# Social Credit Compliance Platform

November 2020

## L-Council简介

L-Council为理购（上海）企业服务有限公司旗下服务品牌。秉承“专业分享、价值创造”的企业使命，致力于成为国内优质的汇聚知名跨国企业及本土大型企业法务人员的会员制服务机构。L-Council以专业人群为依托，结合特定行业，精准聚焦法务经理人，旨在提供最佳实战经验分享及法律信息服务。在中国已有超过1000家会员企业，30,000多位企业法务同行使用和体验L-Council的超值分享服务。



CHINA LEGAL  
Executive Council

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# Speaker - Chi Chen



## Chi Chen

Partner, Forensic & Integrity Services  
Shanghai, China

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Email: [chi.chen@cn.ey.com](mailto:chi.chen@cn.ey.com)



### Background

- ▶ Chi Chen is a partner in EY's Forensics & Integrity Services practice in Greater China and has nearly 20 years of experience in compliance, risk management, and forensics in China, the United States and Australia.
- ▶ Mr. Chen focuses on continuous compliance monitoring and management system development, trade compliance, data compliance, intellectual property and privacy, anti-bribery, anti-trust legislation, risk predictive analytics, computer forensics and electronic evidence discovery. He has served clients in consumer goods, healthcare, automotive, industrial products, technology, logistics, energy, telecommunications, real estate and construction industries.

### Qualifications

- ▶ Individual member of the Compliance Management Research Council of the Expert Committee of the National Corporate Compliance Council
- ▶ Certified Fraud Examiner (CFE)
- ▶ Certified Information Systems Auditor (CISA)
- ▶ Master of Computer Science, Suffolk University, the United States
- ▶ Bachelor of Mathematics, Peking University

### Experience

- ▶ Led multiple compliance risk assessment projects, reviewed policies, processes, and control points, interviewed employees and third parties, identified potential non-compliance risks in practice through analysis of underlying data and user behavior. Performed walk-through testing, and provided recommendations for remediation and optimization of compliance management based on the results of further investigation;
- ▶ Assisted enterprises in building up continuous compliance monitoring and management system, including establishing medium and long-term strategic objectives, reviewed and understanding the current situation, conducted gap analysis, designed step-by-step improvement plans, optimized reporting mechanism, and built up relevant systems.
- ▶ Assisted companies in response to government inquiries, internal investigations, litigations and disputes, and provided the work result to senior management, audit committees, or external counsels, as well as recommendations on remedial measures and optimization based on findings.
- ▶ Chi is a regular speaker on how to establish an effective compliance management program to help companies avoid systemic risks.

# EY competitive edge - Forensic & Integrity Services

## Forensic & Integrity Services - Greater China

EY Forensic & Integrity Services (EY Forensics) has a team of investigators, forensic accountants and compliance and technical professionals around the globe to help enterprises and organizations quickly respond to fraud allegations, bribery incidents and other misconducts, as well as provide regulatory compliance consulting services.

By using advanced forensics technology, we can quickly collect facts and evidence to assess the severity of the incident and help enterprises and organizations deal with stakeholders. By analyzing different data sources, we can find the connection between events and present our findings in legal proceedings.

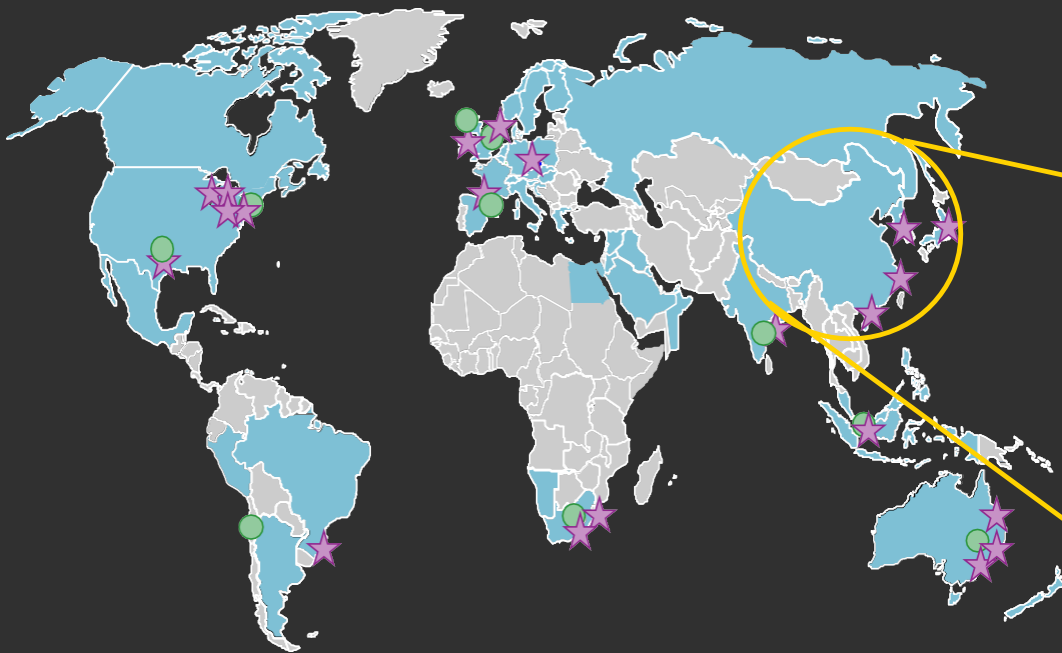
We have approximate 4,500 forensic professionals around the world. Our team consists of talents with professional knowledge in various fields and integrated cultural background. By providing a wide range of industry experience, knowledge and insights, we look forward to working well with you and your legal counsel.

We have rich experiences in assisting the internal audit team, Audit Committee and legal counsel handling:

- Whistleblowing allegations
- Internal/fraud investigation
- Compliance review
- Anti-bribery anti-corruption and/or integrity due diligence.



# EY competitive edge - Forensic & Integrity Services



Blue countries – established EY Forensic

Grey countries – no EY Forensic in-country personnel

★ Forensic labs

● Advanced security centers

We will assemble the team according to the geographical location to minimize travel expenses, avoid service quality differences and provide consistent and high quality services to you.

We are additionally able to call on local resources in our other China offices, as required.



# EY competitive edge - Forensic & Integrity Services

We help to build a better working world by assisting the most sophisticated organizations with their most complex business challenges, including an enhanced focus on integrity.

Our solution sets:



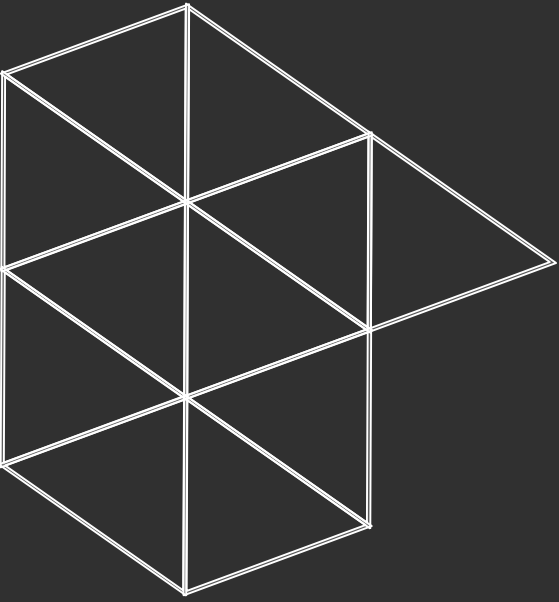
<b>Investigations &amp; Compliance</b>	Helps respond rapidly to suspected fraud, bribery, other misconduct, and regulatory inquiries including into money laundering and trade sanctions violations. Conduct risk assessments and tailor compliance programs to help create an ethical business culture.
<b>Transaction Forensics</b>	Assists organizations and legal counsel identify and mitigate financial, operational and reputational risk inherent to M&A.
<b>Claim &amp; Disputes</b>	Mitigates dispute risks in contracts and deals, present commercial and financial matters in legal proceedings, and manage claims to recover financial losses.
<b>Forensic Data Analytics</b>	Identifies suspect transactions or irregular patterns and investigate instances of fraud, waste, misuse, abuse and non-compliance
<b>Discovery</b>	Captures, process and host electronically stored information. Support the entire electronic discovery life-cycle, from pre-litigation information management to post-matter data disposition
<b>Privacy &amp; Cyber Response</b>	Assists navigate complex cyber attacks including, PII data thefts, email compromises and ransomware attacks

A man with a beard and short dark hair is wearing a VR headset. He is looking down at a 3D architectural model of a multi-story building. His right hand is raised, and his left hand is extended forward, as if he is interacting with the virtual environment. The background is a blurred office or studio setting.

1 Social Credit Compliance

2 Case Implementations

3 How EY Can Help



# Social Credit Compliance



## 1.1

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*Social Credit Compliance Blueprint*

## 1.2

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*Social Credit Compliance Lifecycle Management*

## 1.3

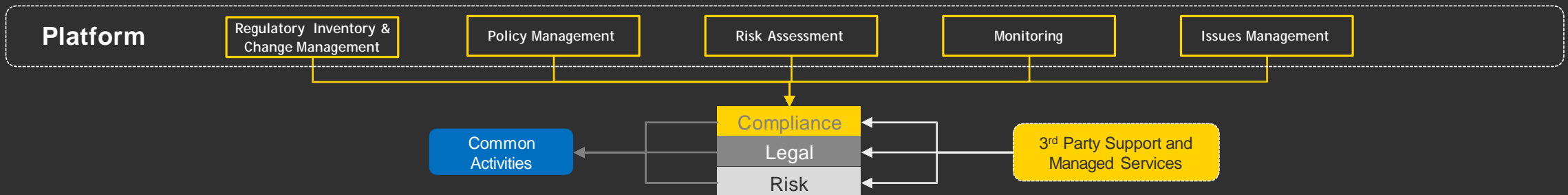
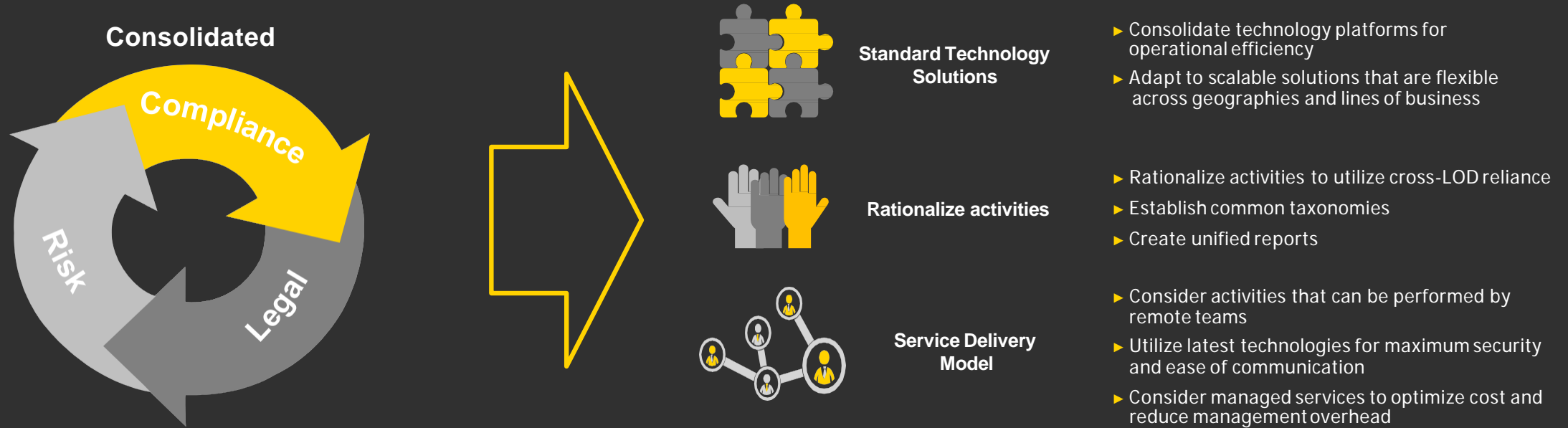
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*Methodology under Social Credit Compliance*

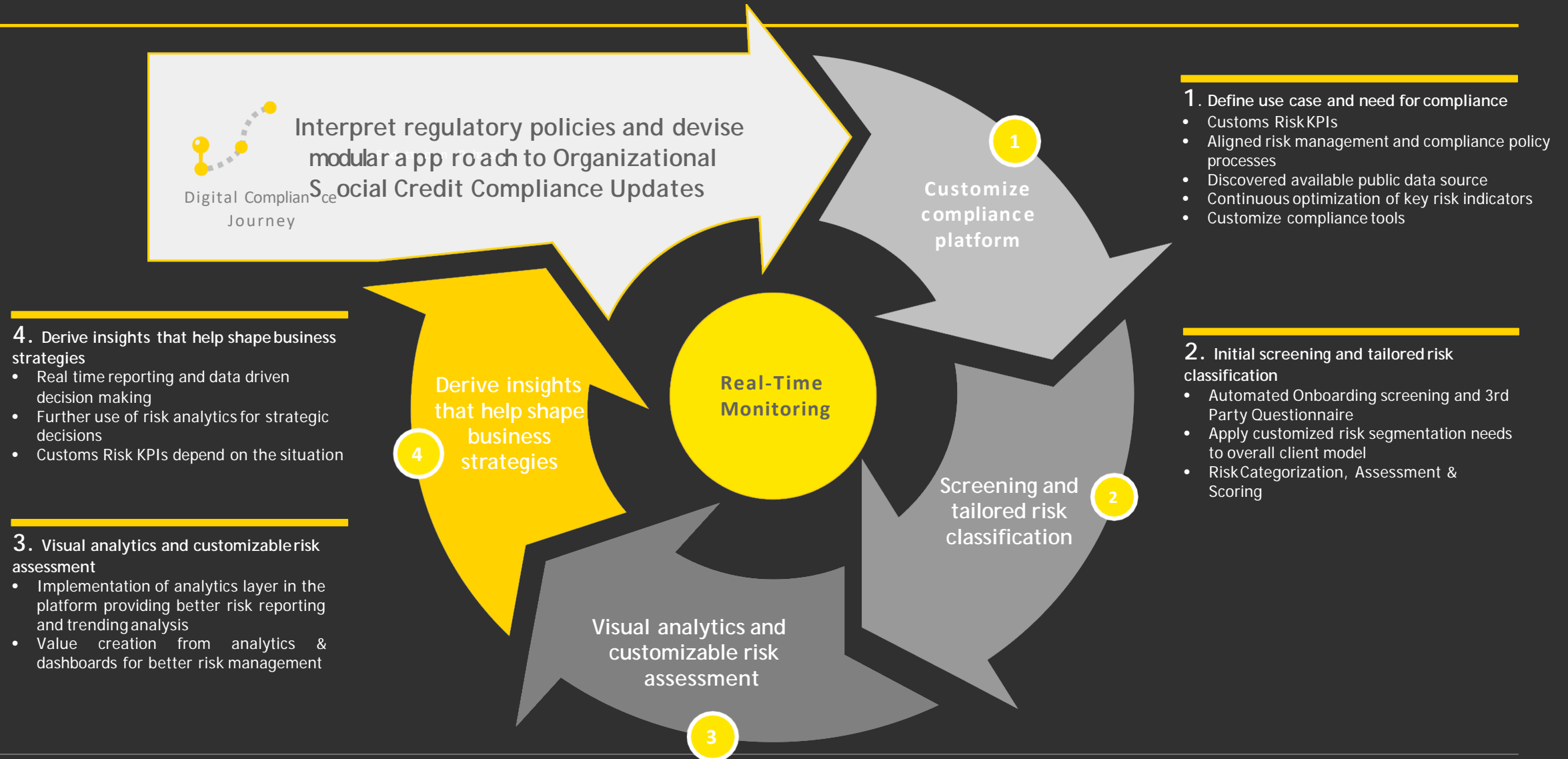


# Social Credit Compliance Blueprint

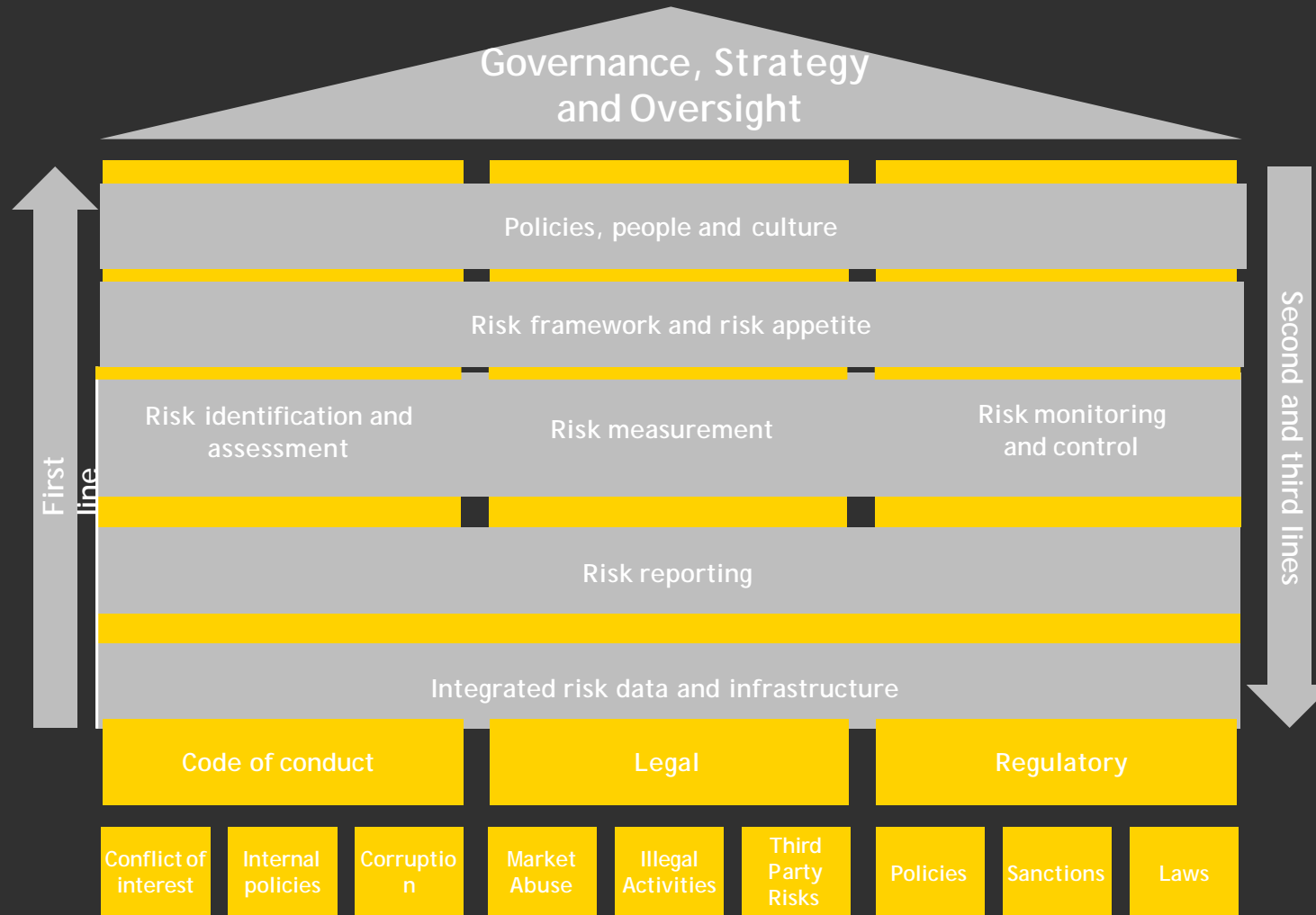
Institutions today are focusing on gaining efficiency through convergence between Compliance, Risk and Legal.



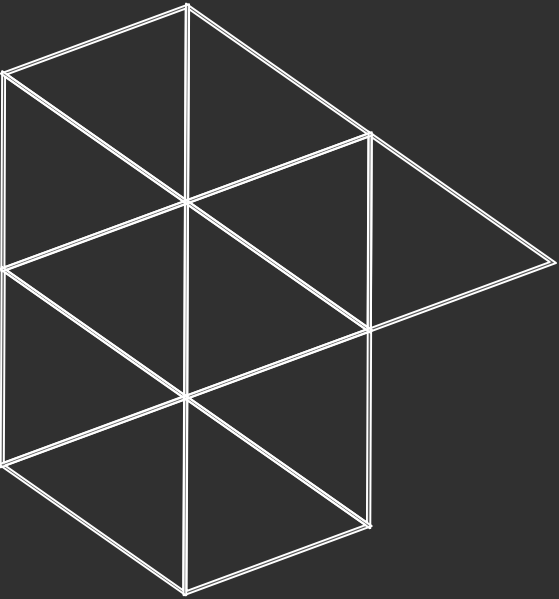
# Social Credit Compliance Lifecycle Management



# Methodology under Social Credit Compliance



- **First line (operations and business units):** Line management responsible for identifying and managing risks
- **Second line (management assurance):** The groups responsible for ongoing monitoring of the design and operation of controls in the first line of defense, as well as providing advice and facilitating risk management activities
- **Third line (independent assurance):** The groups responsible for independent assurance over managing of risks. This line includes internal audit, external audit and some regulators.



# Case Implementations



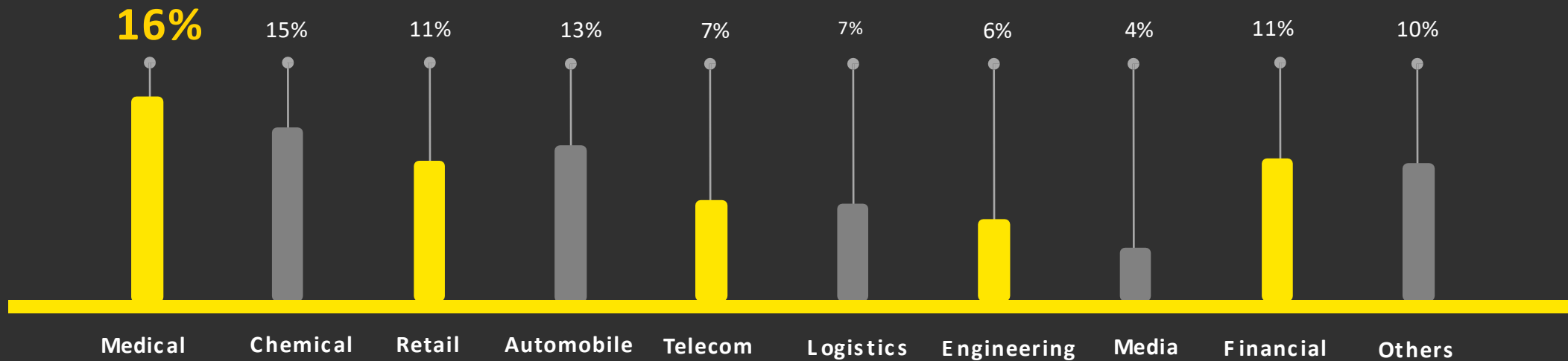
## 2.1

*Social Credit Compliance  
Platform Key Stats and  
History*

## 2.2

*Case Studies*

# Social Credit Compliance Platform Key Stats and History



# Case Studies

## Client Within the Medical Sector & Automotive Sector

### The Challenge

- ▶ Short-staffed compliance department, in need of automated solutions
- ▶ High volume periodic vendor screening
- ▶ Needs customized insights for every vendor:
  - ▶ Legal history
  - ▶ Reputation
  - ▶ Negative News

### How EY helped

- ▶ Automated Batch Database Screening
- ▶ Public Information Search
- ▶ General IDD Request
- ▶ Quarterly Risk Model Refresh
- ▶ Special Request Customized by Client



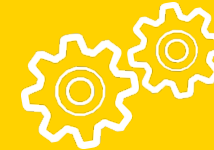
**3500+**

Entities & Societies  
Screened



**1300+**

Key Personnel  
Screened

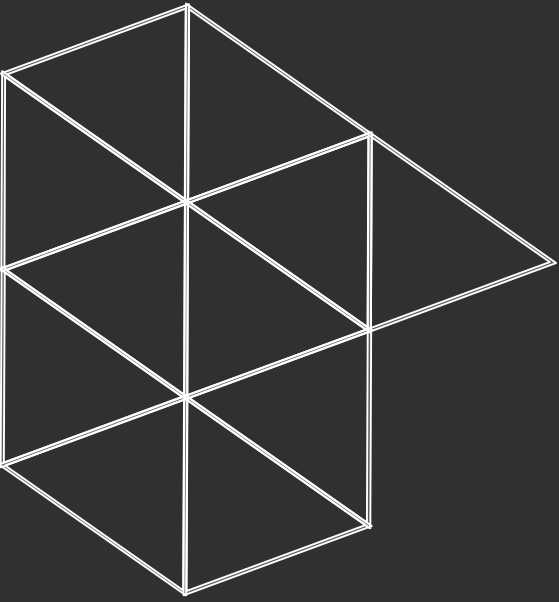


**16** Months  
Operated



**24-48**

Hours  
Feedback on  
General Request



How EY Can Help

# 3

## 3.1

Regulation and Policy Interpretation

## 3.2

*Risk Collection*

## 3.3

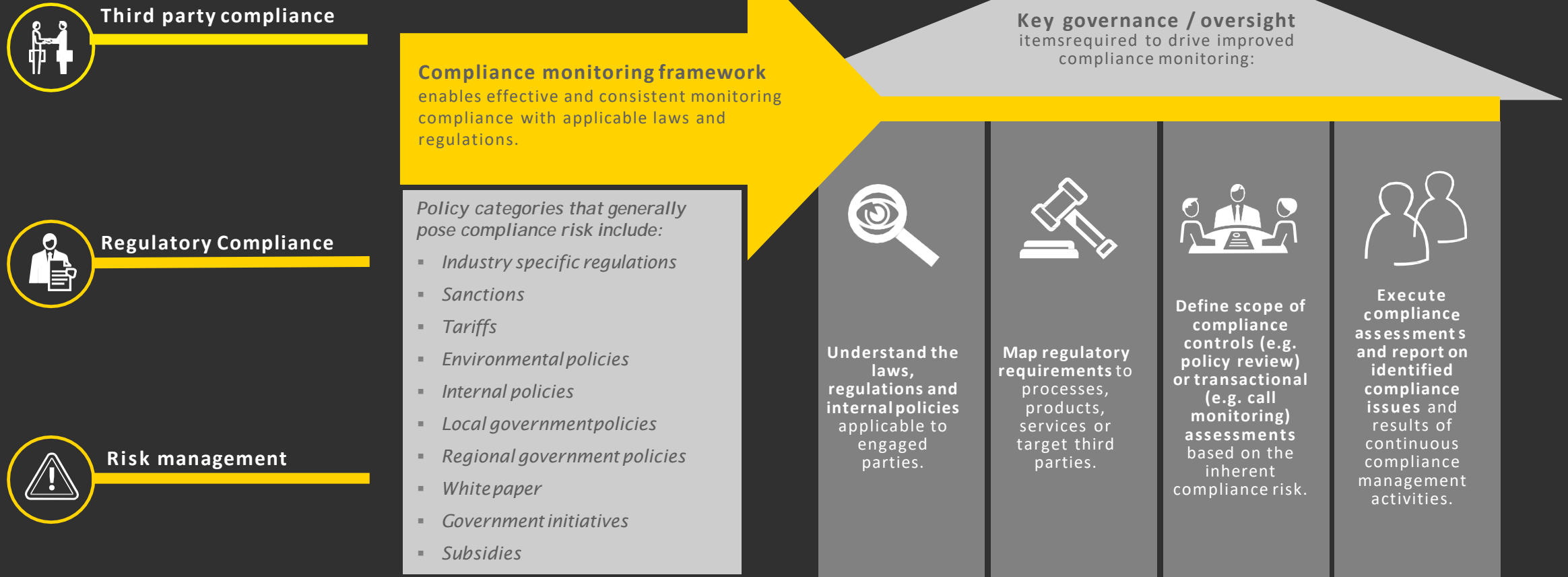
*Risk Evaluation*

## 3.4

*Risk Insights*

# How EY can help: Regulation and Policy Interpretation

Recent guidance issued by regulatory bodies continues to highlight an increased expectation for the effective management and oversight of compliance risk.





# How EY can help: Risk Collection

## Data Collection



Utilizes companies search list and returns companies' detail information results in multi - dimensions from mainstream news outlets

## Undisclosed Key Personnel



Utilizes customized enterprise key personnel search list and returns related companies results

## Media News Search



Utilizes customized search focus list and returns adverse news results from mainstream news outlets

## Performance/Results



Overall reduction in manual review effort with advanced language analysis



Increasing document volume with varying formats needing review



Improve auditability into high impact regulations, manpower requirement and training needs



Consistency in content creation and compliance review



Cost savings from improvement in review times and reduction in manual review

## Staff Mapping



Utilizes random employee search list and returns potential conflict interests results based on the companies' basic information

## LexisNexis Collection



Utilizes companies and key personnel search list and returns global PEP, SOE, Sanction or Enforcement results from LexisNexis World Compliance Database

## Group Mapping



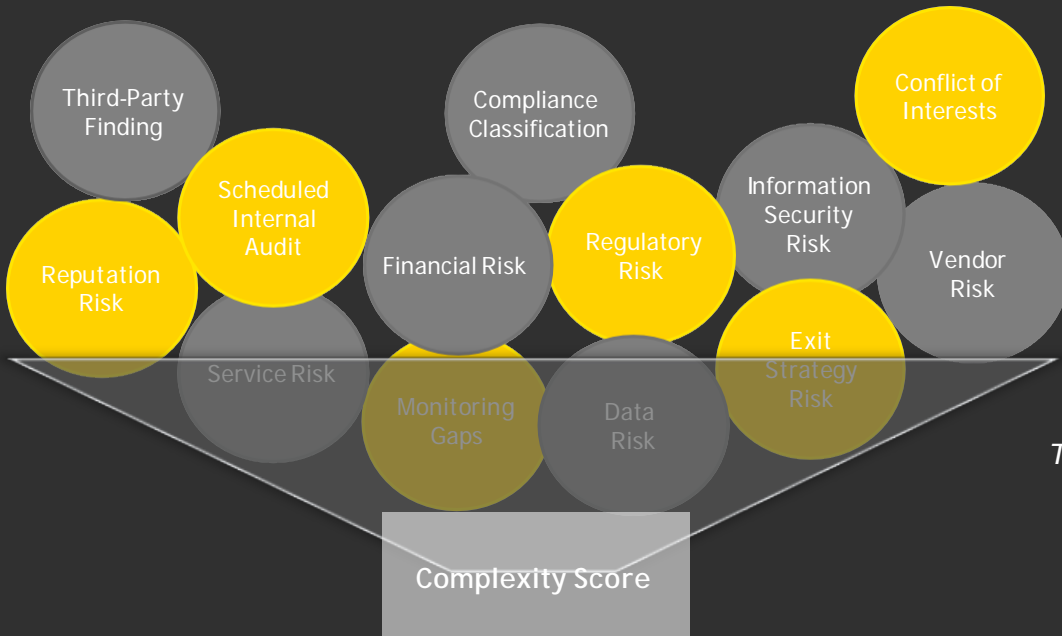
Utilizes companies search list and returns related companies results

## 3-Layers Shareholder Structure Diagram



Utilizes customized search focus list and returns adverse news results from mainstream news outlets

# How EY can help: Risk Evaluation



The assessment framework combines a variety of weighted factors to identify the priority level and the complexity

- ▶ Scoring algorithms measuring priority and complexity of effort are developed to help build the roadmap
- ▶ Qualitative data received from the business stakeholders is transformed into quantitative values to enable mathematical scoring for each (See scoring rules in table and legend below)

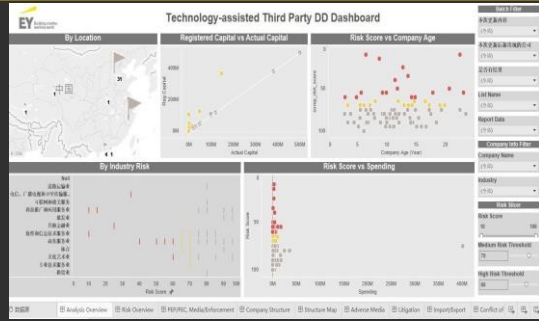
$$\text{Total Complexity Score} = (\text{Complexity Attribute Weight} * \text{Risk Percent})_1 + (\text{Complexity Attribute Weight} * \text{Risk Percent})_2 + \dots + (\text{Complexity Attribute Weight} * \text{Risk Percent})_N$$

Risk Indicators	Does the company frequently change legal persons within a year?	Whether the company has abnormal operations?	Company or key personnel involved in major legal cases (civil/criminal)?	Is the company involved in bribery administrative penalties within 5 years?	Is the company involved in a court announcement within 5 years?	Is the company involved in court enforcement within 3 years?	Is the company involved in the judicial auction of property within 3 years?	Does the company have any tax arrears announcement at this stage?	Has the company been classified as a "distrustworthy enterprise" by the customs, or is there a record of "non-submission overdue" in the customs annual report?	Company directors, supervisors, legal persons, ultimate beneficiaries, and whether their former names are on the list of untrustworthy persons?	Whether the company's directors and supervisors, legal persons or shareholders are on the LexisNexis list?	Total Complexity Score	Risk Level
Risk Percent	5%		45%					15%		35%			
Weights	5	3	15	10	4	5	5	3	5	20	25		Mid
Results			Y		Y				Y		Y	18.05	

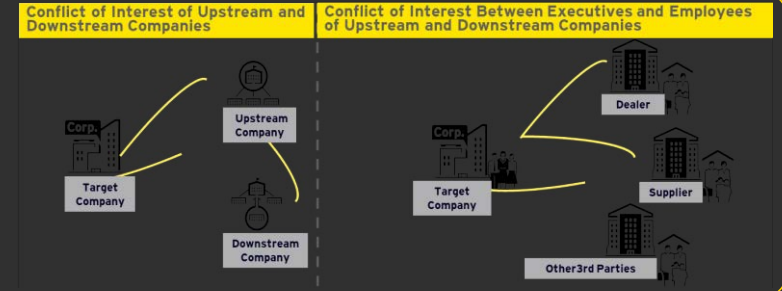
**Illustrative**

# How EY can help: Risk Insights

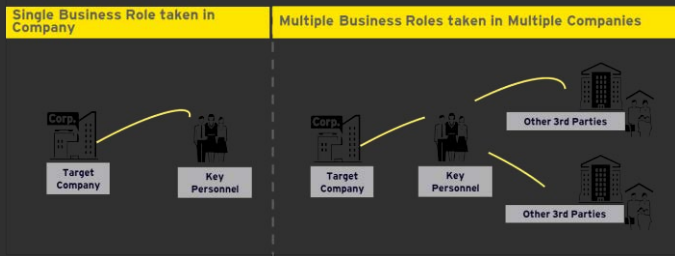
## Technology-enabled Third-Party Reporting Dashboard



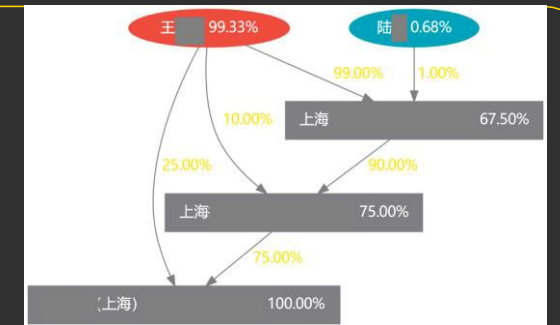
## Conflict of Interest Analytics



## Business Role Analytics



## 3-Layers Company Shareholder Structure Diagram



## Social Credit System Screening Report

Company Hits	2	1	4	0	1	0
新闻数量	2	1	4	0	1	0
负面新闻	1	0	0	0	0	0
命中关键词	0	0	0	0	0	0
经营状态	0	0	0	0	0	0
经营范围变更	0	0	0	0	0	0
股权变更	0	0	0	0	0	0
民事诉讼	35	1	0	0	0	0
行政诉讼	1	0	0	0	0	0
刑事诉讼	0	0	0	0	0	0
失信	0	0	0	0	0	0
被执行	0	0	0	0	0	0
目前经营异常	0	0	0	0	0	0
严重违法	0	0	0	0	0	0
欠税公告	0	0	0	0	0	0
法院公告	0	0	0	0	0	0
司法拍卖	0	0	0	0	0	0
进口信用	0	0	0	0	0	0
税务评级	0	0	0	0	0	0
最终受益人	0	0	0	0	0	0
人员变更	1	2	5	0	0	1
执法记录	2	0	0	0	0	0
政府官员	5	0	0	0	0	0
成立时间小于6个月	0	0	0	0	0	0
成立时间小于2年	0	0	0	0	0	1

## Agile Implementation

XXXXX 安装有限公司  
数字化背景调查报告  
2019年07月03日



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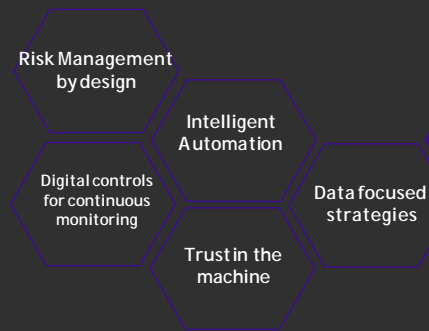
# How EY can help: Achievements

**Build an adaptive Compliance function able to act quickly and to deliver continuous value**  
*...addressing the changing landscape of risk management*



**Act as an insightful business advisor**  
*...establishing a risk-averse culture and provide data-driven strategic advices*

**Digitize risk management itself...**  
*...embedding agile and smart controls, deploying technology and data to provide continuous monitoring capabilities and customized, actionable insights to leadership insights to leaders*



**Govern emerging risks...**  
*...supporting rapid innovation, transforming to consider positive opportunities for value creation whilst balancing strong risk management*

**Implement organizational transformation...**

**Ensure functional effectiveness...**  
*... by delivering better customer outcomes through the use of diverse resource ecosystems, balancing technology with effective multi-sourced people capabilities.*

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**About EY**

Replace this text with boilerplate copy, found on The Branding Zone, in the Signature, boilerplate and descriptor section. Lorem ipsum dolor sit amet, consectetur adipiscing elit, sed diam nonummy nibh euismod tincidunt ut laoreet dolore magna aliquam erat volutpat. Ut wisi ad minim veniam, quis nostrud exercitation ullam corper suscipit lobortis nisl ut aliquip ex ea duncal consequat.

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