Chinese Perspective on Compliance 4.0 - Challenges of Digitalization

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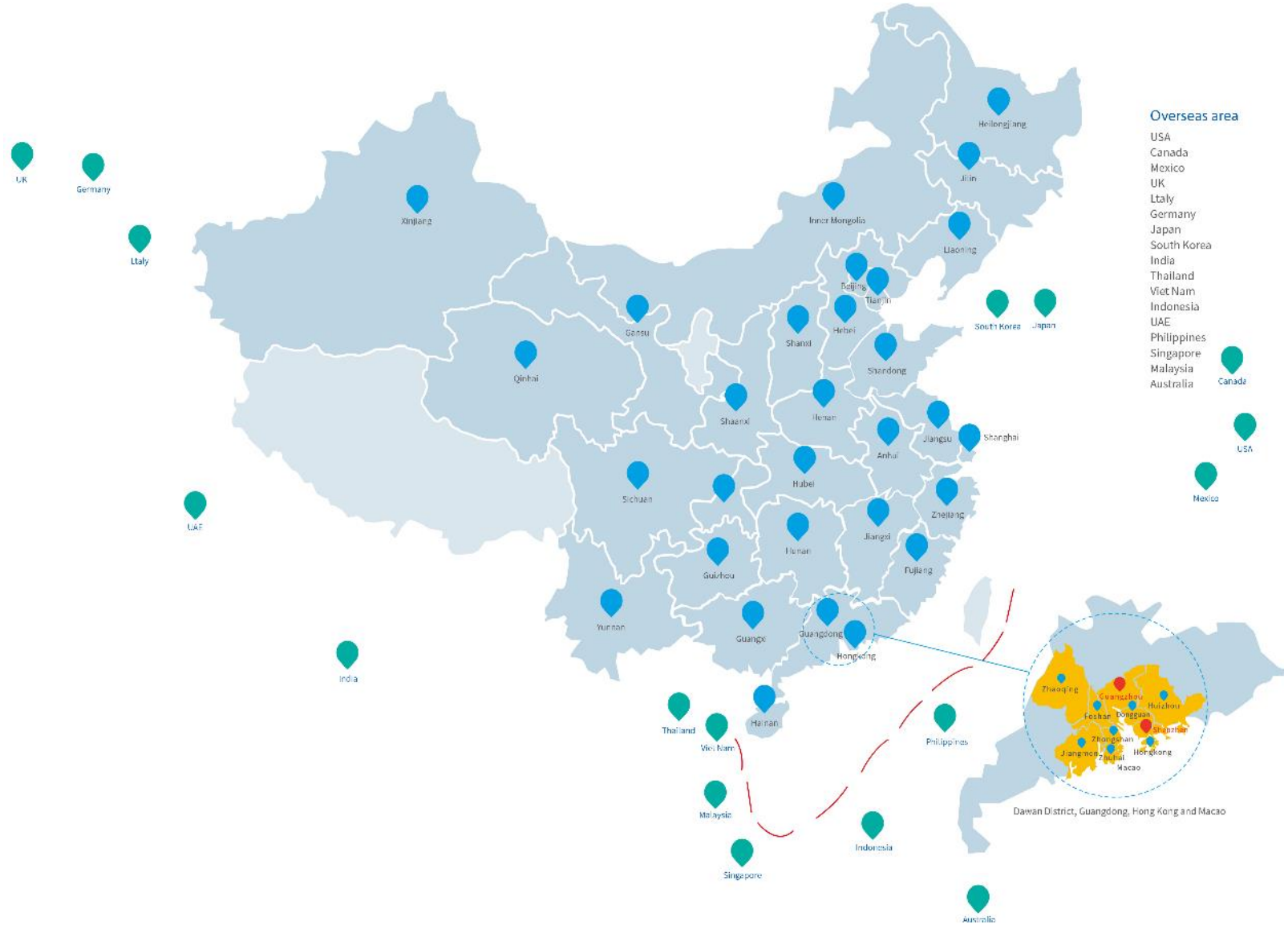
Corporate Profile

Baoneng Group was founded in 1992

Headquartered in Shenzhen Special Economic Zone, China. Over the past 27 years, Baoneng has consistently adhered to the ideal of serving the country through leading the industry and promoting the strategy of triple developments: "M**anufacturing, Science and Technology, and livelihood Services**". Baoneng has developed into a modern conglomerate, covering business segments including **high-end manufacturing, international logistics, comprehensive property development and livelihood services**.

Our Footprints

Baoneng Group has covered more than 220 cities in over 20 provinces in China.



High-end Manufacturing

Baoneng Automobile

- Baoneng Automobile's business covers both traditional and new energy automobiles, and engages in industry research and development, manufacture, sales and services of core spare parts, and automotive travelling service.
- Its goal is to build an automobile group with strong competitiveness and international influence in the next 10 to 15 years.

Research and Development

Global Innovation R&D Base

Auto Spare Parts

Transmission

Auto Glass

Gear

Battery

Vehicle Manufacturing

Fuel Vehicle

New Energy Vehicle

Automotive After-Market

Sale Logistics

Repair Maintainance

Insurance Lease

New Finance

"The phone number you registered at Autohome was sold for 9.6 billion in 5 years." Ran Finance 2019-03-15

- Autohome Inc. (NYSE: ATHM) is the leading online destination for automobile consumers in China.
- “Leads generation services” was disclosed in the financial report.
- The leads generation services"allows our dealers to create their own online showrooms, provide price and promotion information...help them reach/find more potential customers and sell their cars online to consumers."
- In 2018, the annual income of Autohome was 7.2 billion RMB, of which the income of leads generation services was 2.9 billion RMB, accounting for **39.7%** of the annual income.
- Since 2014, the income of leads generation services has reached 9.6 billion RMB in five years.

Overview

1. What is Digital Transformation?

2. Who Supervise the Cybersecurity in China?

3. Overview of Policies and Regulations in Cybersecurity

4. Don'ts in Information Collection - Article 253 of Criminal Law

5. Article 41 of the Cybersecurity Law

6. Compliance Recommendations on Data Collection

7. Compliance 4.0

1. What is Digital Transformation?

What Is Digital Transformation?

- Digital transformation is a new way to solve traditional problems through digital technology.
- Not just simply strengthening or improving traditional methods, these digital solutions realize innovative ideas.
- Digital transformation has taken place all around the world.
- The speed of digital transformation varies from place to place. According to the Industry Digitization Index of McKinsey Global Institute, Europe has now developed 12% of its digitization potential, compared to 18% in the US. In Europe, Germany's digital business accounts for 10% of its digitization potential, while the UK is almost the same as the US, at 17%.

2.Who Supervise the Cybersecurity in China?

Cybersecurity Management Departments:

3. Overview of Policies and Regulations in Cybersecurity

Law

Cybersecurity Law of the People's Republic of China-

November 07, 2016

Decision of the Standing Committee of the National People's Congress on Preserving Computer Network Security

December 29, 2000

Administrative Regulations

Administrative Measures for the Security Protection of International Network of Computer Information Networks - State Council - October 08, 2014

Regulations of the People's Republic of China on Computer Information System Security Protection - State Council - February 18, 1994

Key Information Infrastructure Security Protection Regulations (Draft for Comment)

Regulations on the Protection of Minors Online (Draft for Review)

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Administrative Rules

Provisions on the Administration of Blockchain Information Services-Network Information Office-20190215

Measures for the Administration of Internet Domain Names-Ministry of Industry and Information Technology-20171101

Provisions on the Administration of Internet News Information Services (2017)-Network Information Office-20170601

Provisions on the Administrative Law Enforcement Procedures for Internet Information Content Management-Network Information Office-20170601

Provisions on the Administration of Online Publishing Services- Press and Publication, Radio and Television, Ministry of Industry and Information Technology-20160310

Provisions on Administration of Provision of Financial Information Services in China by Foreign Institutions-News Office, Ministry of Commerce, General Administration of Industry and Commerce-20090601

Provisions on Protecting the Personal Information of Telecommunications and Internet Users-Ministry of Information Technology Department-20130901

Several Provisions on Regulating the Market Order of Internet Information Services-Ministry of Information Technology Department-20120315

Interim Provisions on the Administration of Internet Culture-Culture Department-20110401

Provisions on the Administration of Internet Audio-Visual Program Service-General Administration of Radio, Film and Television, Ministry of Information Industry -20080131

Measures for the Administration of the Publication of Audio-Visual Programs through the Internet or Other Information Network -National Radio and Television Administration-20041011

Regulatory Documents

Internet Live Service Management Regulations- Internet Office - December 1, 2016

Mobile Internet Application Information Service Management Regulations- Internet Office - August 1, 2016

Internet Information Search Service Management Regulations - Internet Office - August 1, 2016

Regulations on Internet News Information Service Units - Internet Office - June 1, 2015

Internet Dangerous Goods Information Release Management Regulations- Ministry of Public Security, Internet Information Office, Ministry of Industry and Information Technology, Ministry of Environmental Protection, General Administration of Industry and Commerce, Safety Supervision Bureau - March 1, 2015

Internet User Account Name Management Regulations - Internet Office - March 1, 2015

Interim Provisions on the Development and Management of Public Information Services for Instant Messaging Tools- Internet Office - August 7, 2014

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Judicial Interpretation

Interpretation of the Supreme People's Court Supreme People's Procuratorate on Several Issues Concerning the Application of Laws in Handling Criminal Cases of Infringement of Citizens' Personal Information, June 1, 2017 ("Interpretation No. 10")

Provisions of the Supreme People's Court on Several Issues Concerning the Application of Law in the Trial of Cases of Civil Disputes over the Use of Information Networks against Personal Rights and Interests, October 10, 2014

Interpretation of the Supreme People's Court and the Supreme People's Procuratorate on Several Issues Concerning the Application of Laws in the Use of Information Networks to Implement Criminal Cases, etc., September 10, 2013

Provisions of the Supreme People's Court on Several Issues Concerning the Application of Law in the Trial of Civil Disputes over Information Communication Rights of Information Systems, January 1, 2013

Interpretation of the Supreme People's Court and the Supreme People's Procuratorate on Several Issues Concerning the Application of the Law on the Use of the Internet, Mobile Communication Terminals, and Voice Stations for the Production, Reproduction, Publication, Sale and Dissemination of Obscene Electronic Information Criminal Cases [2004] No. 11, Sept. 6,2004

Interpretation of the Supreme People's Court and the Supreme People's Procuratorate on Several Issues Concerning the Application of the Law on the Use of the Internet, Mobile Communication Terminals, and Voice Stations for the Production, Reproduction, Publication, Sale, and Dissemination of Obscene Electronic Information Criminal Cases (II) Act [2010] No.3, February 4, 2010

Conclusion

- ➢ Fewer laws and administrative regulations
- ➢ The Cybersecurity Law is too general and there is no supporting explanation.
- ➢ Too many administrative rules and regulatory documents from different departments

The PRC Cybersecurity Law vs. **GDPR**

	Cybersecurity Law	**GDPR**
Date of Effectiveness	June 1, 2017	May 25, 2018
Articles	79	99
Supporting Explanation	None	European Data Protection Board, (EDPB): Continuous Guidelines& Recommendations

4. Don'ts in Information Collection - Article 253 of Criminal Law

Interpretation of Article 253 of Criminal Law

Crime of Infringing Citizens' Personal Information

"Violating relevant national regulations to sell or provide others with citizens' personal information, where the circumstances are serious, is sentenced to up to three years imprisonment or short-term detention and/or a fine; where circumstances are especially serious, the sentence is between three and seven years imprisonment and a concurrent fine.

Where citizens' personal information is stolen or illegally obtained through other means, punishment is in accordance with the provisions of the first paragraph of this article.”

Case Study: D&B's illegally obtaining private information of Chinese citizens

- Two Chinese subsidiaries used third-party agents to make unlawful payments to obtain data vital to D&B's business as a provider of business financial information.

- The China court in 2012 fined the subsidiary $160,000 and jailed the former employees.

5. Article 41 of the Cybersecurity Law

Article 41: Network operators collecting and using personal information shall abide by the principles of legality, propriety, and necessity; they shall publish rules for collection and use, explicitly stating the purposes, means, and scope for collecting or using information, and obtain the consent of the persons whose data is gathered.

Network operators must not gather personal information unrelated to the services they provide; must not violate the provisions of laws, administrative regulations or agreements between the parties to gather or use personal information; and shall follow the provisions of laws, administrative regulations, and agreements with users to process personal information they have stored.

6. Compliance Recommendations on Data Collection

➢ Make clear the scope of personal information.

➢ Clearly define the core function as the service provider, determine the necessary information, and follow the principle of "minimum availability".

➢ Get the consent of the data provider in an appropriate way.

➢ Privacy policy should specify where personal information is stored (domestic and abroad), the duration of storage, and the way of overdue processing.

➢ If personal information is used for user portraits and personalized display, its application scenario and possible impact on customers should be explained.

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7. Compliance 4.0

Compliance 4.0

Establish First-class Enterprise, Build Century Brand
建一流企业，树百年品牌
宝能
BAONENG

Thanks