



July 22<sup>nd</sup>, 2022

Chinese antitrust.

Review #25 (2022)

#### QUOTES

Today, the China Cyberspace Administration, based on applicable law, issued a decision to impose an administrative penalty on DiDi Global following a cybersecurity review. We sincerely accept it and commit ourselves to fulfill it strenuously. We will conduct in-depth self-examination, actively promote regulation, diligently and completely eliminate all violations in strict accordance with this decision and applicable law. We wholeheartedly thank the competent authorities for review and guidance, and the general public for criticism and supervision. We will learn the lesson, give equal importance to security and development, continue to work to ensure cybersecurity and data security, strengthen measures to protect personal data, act on our social responsibility, serve every passenger, driver and partner, achieving a safe, healthy and sustainable development of the company.

DiDi Global Statement dated July 21st, 2022 by decision of the Cyberspace Administration of China<sup>1</sup>

#### EVENTS

- DiDi fined \$1.2 billion
- The first completely Chinese software for scientific computing
- Big tech strategic investment halved
- "Cleaning" the Internet during the summer holidays
- AI at Baidu World Conference 2022
- Penalty for utility market monopolists
- Decisions on anti-competitive agreements
- Unauthorized release of video games
- Beijing to distribute food coupons on platforms
- Gary Gensler on possible delisting of Chinese companies
- Checking the procedures for issuing promotional coupons
- Shanghai obliges platforms to publish consumption rules

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<sup>1</sup> Source: <https://m.weibo.cn/status/4793656382588579>

## DiDi fined \$1.2 billion

China's Cyberspace Administration has fined online taxi service DiDi Global 8.026 billion yuan (≈\$1.2 billion) for violating cybersecurity, data security and personal data protection laws. The Office pointed to the clear fact of the violation, the incontrovertibility of the evidence, the presence of aggravating circumstances and the extremely serious nature of the case. For personal responsibility in carrying out illegal activities, the chairman of the board and CEO of the company Cheng Wei and president Liu Qing were also fined 1 million yuan (≈\$150 thousand) each.

In a statement, DiDi said that it sincerely accepts the punishment, will comply with all requirements, and will also conduct self-examination and actively promote regulatory procedures. DiDi thanked regulators for guidance and the general public for criticism and scrutiny, and committed to fulfilling its social responsibility to promote the company's safe, healthy and sustainable development.

As representatives of the Cyberspace Administration commented, a total of 16 types of violations were identified in 8 areas, including excessive collection of user data (screenshots from photo albums, clipboard data, biometrics, age, profession, home and work addresses, exact location coordinates, etc.), driver data, the lack of a clear explanation of the purposes of data processing, etc. In total, more than 64 billion personal data items were processed illegally. It is also noted that DiDi's personal data processing activities threatened national security, and the company itself did not comply with clear regulatory requirements, acted contrary to what was declared and deliberately evaded regulation. Risks have been created to key information infrastructure and data security.

At the same time, the Central Bank of China fined DiDi's payments division 4.27 million yuan (≈\$600,000) for 12 different violations, including failure to comply with requirements for the accuracy, completeness and traceability of transaction data, failure to perform necessary checks and verifications, failure to report significant risks, the presence of unfair and unreasonable provisions in the model agreement, etc.

Sources:

[http://www.cac.gov.cn/2022-07/21/c\\_1660021534306352.htm](http://www.cac.gov.cn/2022-07/21/c_1660021534306352.htm)

<https://m.weibo.cn/status/4793656382588579>

[http://www.cac.gov.cn/2022-07/21/c\\_1660021534364976.htm](http://www.cac.gov.cn/2022-07/21/c_1660021534364976.htm)

<https://www.jiemian.com/article/7758963.html>

## The first completely Chinese software for scientific computing

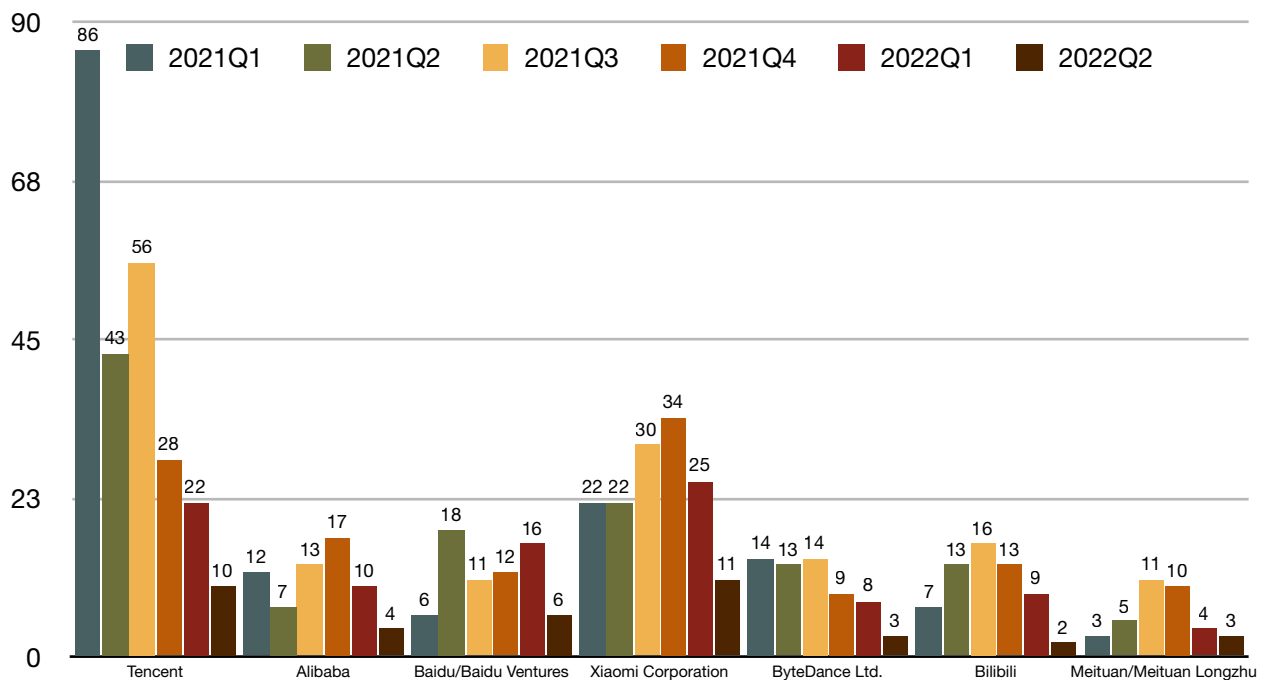
The Numerical Computing Lab of the Chongqing Big Data Institute of Peking University has unveiled Beitai Tianyuan software, the first Chinese scientific computing software with intellectual property rights wholly owned by China. The development has become a breakthrough "root" technology in the field of scientific computing. The product is completely independent and independent from architecture and design to key technologies, thus overcoming the long-term monopoly of foreign companies in the corresponding Chinese market.

Source: [http://www.xinhuanet.com/science/2022-07/18/c\\_1310642884.htm](http://www.xinhuanet.com/science/2022-07/18/c_1310642884.htm)

## Big tech strategic investment halved

Against the background of increased regulation, large Internet companies have become more cautious in investing and have noticeably slowed down the pace of investments. According to IT-juzi, investment by China's seven digital giants fell 60% in the second quarter of 2022 compared to the previous period and the same period last year,

and the number of investment transactions in the first half of the year was half that of last year.



Source: <https://mp.weixin.qq.com/s/BqdTa-CBLYZ8GuSYIVfenQ>

## "Cleaning" the Internet during the summer holidays

The China Cyberspace Administration is launching a two-month campaign to crack down on violations of regulations related to content for minors. The campaign targets video streaming services, social networks, educational apps, online games, marketplaces and children's smart devices. The regulator will focus on violations of the rights of minors, incorrect content, including pornographic, obscene and criminal content, as well as cases of insult and cyberbullying of young users.

In parallel, the Cyber Security Division of the Public Security Administration held a meeting on the "Hundred Day Movement" of cyber security defense: the agency demanded that cyber security departments across the country actively respond to public concerns, vigorously combat violations, eliminate "chaotic" phenomena, and "clean up" the Internet ecology. The objects of detection will be fabricated rumors and paid comments, viruses and hacker groups, data trading companies, online casinos, kidnapping, threats to socially vulnerable groups of the population, etc.

Sources: \_

<https://www.globaltimes.cn/page/202207/1270848.shtml>

[https://www.thepaper.cn/newsDetail\\_forward\\_19096165](https://www.thepaper.cn/newsDetail_forward_19096165)

## AI at Baidu World Conference 2022

Cutting-edge achievements in the field of artificial intelligence were presented at the Baidu World Conference 2022, which has been held since 2006. The main theme of the conference was strengthening AI innovation for universal growth and development. The event was hosted by virtual hosts who presented the latest advances in self-driving, cloud-based AI, augmented and augmented reality, and more. The conference took place on China's first Xi Rang meta-platform and, according to the report, marked the beginning of

the era when "each person will have his own virtual double", that is, the era of "mass production" of virtual personalities.

Sources: <https://news.cgtn.com/news/2022-07-21/Avant-garde-AI-innovations-highlight-Baidu-World-Conference-2022-1bQCQ0FhkM8/index.html>

### Penalty for utility market monopolists

Guizhou Water Investment and Supply Weining, a water service monopolist in one of the counties in Guizhou Province, was fined 2.3 million yuan (≈\$340,000) by the market regulator for abuse of dominance. The local government appointed the company as the county's only long-term water service provider, and Weining enjoyed a dominant position, prohibiting high-rise building operators from entering into a contract for the installation of additional equipment with any other supplier, and violators completely cut off the water supply or refused to accept installation work. The decision on administrative punishment notes that the company assisted the investigation and even took up socially significant projects, including programs to eradicate poverty. Having learned about the beginning of the investigation, she immediately stopped the illegal activities.

For a similar violation of 8.8 million yuan (≈\$1.3 million). Wanzhi Zhongran City Gas Development, a gas service provider, was fined for requiring a new residential area in Wuhu City to cooperate only with itself on projects to install gas pipeline equipment.

In both cases, the regulator revealed a violation of paragraph 4 of Article 14 of the Antimonopoly Law: unreasonable restriction of the counterparty in the implementation of transactions (restriction on transactions only with this participant in economic activity or participants in economic activity identified by him)

Sources:

<https://mp.weixin.qq.com/s/vqSebUH4NkgsfoQd6yJMYw>

[https://www.samr.gov.cn/fldys/tzgg/xzcf/202207/t20220718\\_348735.html](https://www.samr.gov.cn/fldys/tzgg/xzcf/202207/t20220718_348735.html)

[https://www.samr.gov.cn/fldys/tzgg/xzcf/202207/t20220719\\_348778.html](https://www.samr.gov.cn/fldys/tzgg/xzcf/202207/t20220719_348778.html)

### Decisions on anti-competitive agreements

The market regulator of Henan province fined the provincial association for promoting creditworthiness \$45,000 for organizing an anti-competitive agreement. The agreement set the price for credit assessment services. Also, 30 member companies of the association that entered into and implemented this agreement were fined - the total amount of the penalty was \$ 77 thousand. All violators actively contributed to the investigation and provided the necessary materials, and illegal actions were stopped.

Yishun Phramaceuticals, the exclusive manufacturer of Lianzhi antipyretic pills, was fined by the Hainan provincial regulator for an anti-competitive agreement. Yishun Phramaceuticals entered into standard minimum resale price agreements with distributors, however, as shown by the investigation, none of them were executed. The fine was \$30,000.

Sources:

[https://www.samr.gov.cn/fldys/tzgg/xzcf/202207/t20220722\\_348852.html](https://www.samr.gov.cn/fldys/tzgg/xzcf/202207/t20220722_348852.html)

[https://www.samr.gov.cn/fldys/tzgg/xzcf/202207/t20220722\\_348871.html](https://www.samr.gov.cn/fldys/tzgg/xzcf/202207/t20220722_348871.html)

### Unauthorized release of video games

An unnamed Shanghai-based company has been fined for posting online games on the Internet that did not pass regulatory approval. The amount of the fine amounted to more than 1 million yuan (≈\$160 thousand), and all profits received from these games were also withdrawn in full. According to current regulations, all games must obtain a unique registration number from the National Press Service of China before release.

Game registrations were suspended last year to tighten regulation and only resumed this spring. Since then, three lists of approved games have appeared, but none of them included products from gaming industry giants Tencent and Netease.

Source: <http://www.gamelook.com.cn/2022/07/489860>

### Beijing to distribute food coupons on platforms

Since July 18<sup>th</sup>, Beijing authorities have begun issuing free coupons to spend on food delivery platforms. The action is sponsored by such platforms in cooperation with the municipal government. In total, coupons for a total of 100 million yuan (≈\$14.7 million) will be issued - this is done in order to stimulate consumption. Coupons are issued daily from 10 am and expire at 23:59:59 the same day.

Delivery platforms in China are actively developing. The main competitors are Meituan and Ele.me, and recently video platform Douyin (Chinese version of TikTok) launched its own food delivery service. Douyin uses the accumulated audience of viewers of its video content: now, by clicking on the link on short videos of restaurants, you can order the corresponding dish for delivery.

Source: <https://www.163.com/dy/article/HCQQGA0C0511ANPT.html>

### Gary Gensler on possible delisting of Chinese companies

SEC Chairman Gary Gensler said that at the moment it remains unclear whether the US and Chinese authorities will be able to conclude a deal to cancel the delisting of about 200 Chinese companies from US exchanges. According to him, it depends only on Beijing whether American auditors will have access to Chinese documentation, as required by local law. However, he called the talks between the parties "constructive."

According to the Foreign Companies Liability Act, shares of companies that do not provide full access to financial statements will be excluded from the circulation of US stock exchanges in 2024. Many other countries have already granted permission for such an inspection, but China and Hong Kong are refusing, citing privacy laws and national security threats.

Source: <https://www.bloomberg.com/news/articles/2022-07-19/sec-s-gensler-says-it-s-unclear-if-china-will-avoid-delistings>

### Checking the procedures for issuing promotional coupons

The authorities of Guangxi Zhuang Autonomous Region have launched an enhanced review of shares for issuing consumer coupons: the regulator will check whether the issuance procedures violate a fair competitive order. All competent departments were required to comply with anti-competitive testing rules in order to ensure a fair market environment and protect the legitimate rights of consumers. The fairness of the choice of coupon issuing platforms should be ensured: the cases of choosing a single platform bypassing the procedures for prejudice to competition should be prevented. When issuing or using coupons, you may not apply unreasonable or discriminatory access conditions, conduct administrative checks that are not required by law, discriminate against goods and services from suppliers from other territories, unlawfully grant benefits to specific suppliers, or require the purchase of goods and services from specific suppliers.

Source: <https://mp.weixin.qq.com/s/1XnG5UHoiAFIXGIPxYUHQw>

## Shanghai obliges platforms to publish consumption rules

In order to further protect consumers, Shanghai has required e-commerce platforms to publish information about their business licenses and rules that apply to consumers, including return, exchange, refund, complaint handling and dispute resolution procedures. A total of 51 platforms are required to provide access to information about administrative permissions, licenses, audit results, service agreements and trading rules. The regulator, for its part, will check whether the platforms impose unfair or unreasonable conditions on users in the form of contracts, notices, statements and various types of promotions. Platforms are also required to effectively protect consumers' rights to know and choose.

Source: <https://www.yicaiglobal.com/news/shanghai-tells-e-commerce-platforms-to-publicize-consumption-rules>