Summary of the Publicity Material of Preventing Illegal Fund-Raising

The document explained what is illegal fund-raising, the main damages and methods of illegal fund-raising, as well as how to identify and prevent illegal fund-raising.

According to the *Interpretation of the Supreme People's Court of Several Issues on the Specific Application of Law in the Handling of Criminal Cases about Illegal Fund-raising* (FA SHI [2010] No 18), illegal fund-raising means **absorbing funds from the general public (including both entities and individuals) in violation of the provisions of the state laws on financial management**.

Illegal fund-raising needs to meet four conditions at the same time, which are:

Illegal: absorbing funds without the legal approval of the relevant department or under the disguise of lawful business operations;
Open: publicizing through open methods such as media, recommendation fairs, flayers or mobile phone text messages;
Luring: promising to repay the principal and interests or make payments in the form of currency, real objects, equities, etc. within a certain time limit;
Society: absorbing funds from the general public and the target group is unspecified.

The document also clarified the legal responsibilities of the individuals who conducted illegal fund-raising. According to *Criminal Law of the PRC*, illegal fund-raising may involve two kinds of crimes which are No. 176 Illegal absorbing public savings, and No. 192 fund-raising fraud. The punishment varies from three to ten years or above crime detention or fixed-term imprisonment, together with 20,000 RMB to 500,000 RMB penalties.

The usual methods of illegal fund-raising, according to the material, include promising high returns, making up fake projects, fake propaganda, and luring the victims to introduce their relatives to join. Usually, there are four steps that most of the illegal fund-raisings follow:

Step one, make up a fancy project with huge returns. The illegal fund-raisers usually use trending concepts such as “new tech”, “new revolution”, “new policy”, “block chain”, “cryptocurrency” to attract the interest of potential participants, they would bluff about huge returns of the projects to make the participants feel that this is a once in the lifetime chance.
Step two, launch high profile campaigns to win the trust. The illegal fund-raisers would hold all kinds of high profile campaigns in government conference center or auditorium, organize group travels, invite pop star to the events, and show their connections with government officials through photos or videos to win the trust of potential participants.
Step three, absorb the money. The illegal fund-raisers would give some bonus to the participants to make them feel it is safe and beneficial to “invest” their money to the project, so they would enlarge their investment and some would even encourage their relatives to join.
Step four, vanish with the money. After absorbing the fund for a while, the illegal fund-raiser would just disappear together with all the money they collected from participants. The only thing the participants would get is major economic loss or even bankruptcy.

The following contents of the material target on how to identify illegal fund-raising and prevent from potential money losses. It listed ten most common characteristics of illegal fund-raising such as raising funds from the public to invest in offshore bonds or precious metal, or crypto currency and block chain, attract elder public through free trips and lectures, or pretending to be charity or poverty alleviation projects.

The best ways to prevent felling in the traps of illegal fund-raising, according to the material, would be **"Four checks, three thinks, and wait for one night"**.

"Four checks" means the investors should check if the fund-raising has obtained business license and financial license, or has been approved by financial management department, check if the publicity materials of the fund-raising even mentioned or implied that this project is "zero risk with huge turnovers", check if the business model is real and if the profit model is workable, and check if the main fund-raising target is the elder citizens.

"Three thinks" means that the investors should evaluate if they really understand the products and market, evaluate if the product fits the laws of market, and evaluate if they have necessary risk-resistant capabilities.

"Wait for one night" means the if the investor wants to make a major investment, it is better for them to wait for one night, calm down and talk with friends and families for suggestions, before they make actual investment.

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