

Supreme Prosecutors Office News Release



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The Special Investigation Division (“SID”) of the Supreme Prosecutors Office has concluded its investigations of alleged corruption by Taiwan High Prosecutors Office (“THPO”) prosecutor Chen Yu-chen. Explanations of the investigations are as follows:

I. Indictments against defendants Chen Yu-chen, Shih Yung Hua and Kuo Hsiao Lien:

Based on investigations by the SID prosecutors, the allegations against the defendant Chen Yu-chen are found to be substantiated. Due to her senior position, she shielded gambling for as long as 6 years and 8 months, in both first instance and second appellate trials; she received bribes on 81 occasions, with total bribes exceeding NT\$23.25 million, the highest amount ever involved in corruption cases by a judicial officer. The case shocked the Taiwan society, and its special and significant circumstances qualified it for Article 63-1, Paragraph 1, Subparagraph 3 of the Court Organization Act. Shih Yung Hua, another defendant in the same case, was involved in gambling and bribery, while defendant Kuo Hsiao Lien was involved in money laundering; since their criminal acts are connected to the defendant Chen Yu-chen’s corruption under Article 7 of the Code of Criminal Procedure, for litigious economy reasons Prosecutor-General Huang has approved of their offenses being also under SID jurisdiction, and indictments have been duly issued on March 8, 2013. The Court has been requested to impose the heaviest penalties, as well as deprive the defendants of their civil rights, so as to effectively punish and correct their conduct.

1. Summary of Criminal Facts

- (1) Chen Yu-chen accepted bribes, and shielded illegal electronic gambling games on a long-term basis, in violation of her duties**

- a. Prosecutor Chen Yu-chen is responsible for investigation and prosecution of crimes according to law, with statutory duties and powers, and is a person engaged in public affairs according to law; Shih Yung Hua was introduced to Chen Yu-chen in 1996, and they became good friends. Kuo Hsiao Lien and Chen Yu-chen were from the same hometown and were classmates from the same judicial officer training session; since they both worked at the Banqiao District Prosecutors Office (now renamed New Taipei District Prosecutors Office, hereinafter “Banqiao DPO”) for several years, they had a close friendship as colleagues.
- b. Shih Yung Hua wished to operate an electronic gambling games hall for profit, and asked prosecutor Chen Yu-chen to assist by shielding his activities; he undertook to pay her a monthly bribe. Chen Yu-chen agreed to support Shih Yung Hua’s illegal electronic gambling games, despite of it being a breach of her duties, and the parties formed a contract whereby Shih Yung Hua paid Chen Yu-chen a bribe of **\$250,000** in cash per month, starting December 1999, in return for Chen Yu-chen refraining from reporting on him in breach of her duties; she also provided Shih Yung Hua with guidance regarding how to avoid raids and police prosecution, and so covered up for Shih Yung Hua’s Hua Jia Electronic Games Hall that ran electronic gambling games.
- c. Chen Yu-chen was subsequently transferred to the position of chief prosecutor of Banqiao DPO on March 21, 2000, and actually provided proactive shielding for Shih Yung Hua’s electronic gambling games hall. Taking advantage of the “**later case merging with earlier case**” case assignment rule, she monopolized the power to handle cases of Electronic Games Business Management Act violations by Chen O-xiung, the nominal responsible person of Hua Jia Electronic Games Hall; during this period she handled 19 cases involving Hua Jia, and issued non-indictment decisions on 4 occasions in abuse of her powers. Furthermore, on the pretext of rules governing “**custodianship of seized property**”, she ordered that the games machines in Hua Jia Electronic Games Hall actually run by Shih Yung Hua were to be

seized, placed under custodianship seals, and then delivered to the business operator for custodianship on behalf of the prosecution, which enabled the games machines of said games hall to continue being displayed in the hall for operations and profit, and would also prevent other prosecutorial and police personnel from seizing them.

- d. Shih Yung Hua made enormous profits from running the electronic games machines at Hua Jia Games Hall, and wished to expand the scope of his operations. So he reached an agreement with Chen Yu-chen, whereby he paid **\$100,000** in cash bribes to Chen Yu-chen every month starting from the time that Yong Jia Electronic Games Hall began operations in June 2002. Chen Yu-chen continued to cover up for Yong Jia Games Hall where Shih Yung Hua secretly ran electronic gambling games machines, in the same manner that she covered up for Hua Jia Games Hall before.
- e. On November 19, 2002, Shih Yung Hua's Yong Jia Games Hall was found by the prosecutorial and police authorities to be operating electronic gambling games, and Shih Yung Hua sought help from Chen Yu-chen; Chen Yu-chen, on the pretext of needing money to call for telecommunications records, successfully obtained a bribe of **\$250,000** from Shih Yung Hua. She then called for the account name, address and telecommunications records of cell phones used by police officer Guo O-yong and others to carry out the investigations. By the time that Shih Yung Hua ceased the operations of Hua Jia Electronic Games Hall in July 2006, Chen Yu-chen had received a total of \$23.25 million cash bribes from Shih Yung Hua.

(2) Chen Yu-chen and Kuo Hsiao Lien laundered money prior to Chen Yu-chen being taken into custody

Chen Yu-chen, in an attempt to avoid criminal investigations of gains from serious corruption crimes, carried out the following acts of money laundry with Kuo Hsiao Lien:

- a. **The cash was separately deposited into many bank accounts held by themselves, their nominees, and KGI Securities Co., Ltd.**

(hereinafter “KGI”)

Chen Yu-chen first obtained the accounts of her children Xia O-ting and Xiao O-peng, her mother Chen-Zheng O-hua, and her sister Chen O-ling; she also obtained, via Kuo Hsiao Lien, the accounts of Kuo Hsiao Lien, his mother Yang O-lin, and his sister Guo O-hua. The cash bribes that she received from Shih Yung Hua every month were separately deposited into 15 accounts of the aforementioned 8 people with the Guanqian Branch of Cathay United Bank (hereinafter “Cathay Bank”) and other financial institutions, through automatic teller machines (ATM) or at the counter; other parts of the cash were deposited into the designated principal stock settlement account opened by KGI with Guanqian Branch of the Cathay Bank, for account transfers by stock trading customers; this was used by Chen Yu-chen and Kuo Hsiao Lien to repay Chen Yu-chen and Kuo Hsiao Lien’s borrowings from KGI to finance purchases of stocks, creating fund stop points to launder the source of their illegal income.

b. Transfers and relocations of cash, and complex financial transactions

Chen Yu-chen deposited \$22,817,486 of the aforementioned cash bribes into 15 accounts held by the aforementioned 8 people and to repay borrowings from the stockbroker; she also carried out fund transfers and relocations between these accounts, so as to create complicated cash flows that would make it more difficult for judicial authorities to track the fund flows.

c. \$11.36 million of the illegal funds was laundered several times, and then used to purchase a compulsorily auctioned house with Kuo Hsiao Lien in the name of a nominee

On January 8, 2008 Chen Yu-chen went to the Banqiao District Court and used Chen O-ling’s name to bid for a compulsorily auctioned house located at Shuanshi Road, Banqiao; she won with the highest bid of \$11.36 million. On January 15, 2008 she separately and concentratedly withdrew a total of \$8.06 million

from 15 accounts of the 8 people, remitted the money into Kuo Hsiao Lien's post office account in Chen Yu-chen's own name, remitted \$840,000 from her own account with Tai Shin Bank into the aforementioned post office account of Kuo Hsiao Lien, then withdrew \$8.9 million and then \$70,000 from the aforementioned post office account of Kuo Hsiao Lien, the former to buy a post office check of \$8.9 million; the latter, together with \$340,000 withdrawn from Yang O-lin's post office account making up the total of \$410,000, was used to buy a post office check for the same amount. The aforementioned 2 checks totaling \$9.31 million were used to pay the final installment for the compulsorily auctioned house, in order to create the false perception that Kuo Hsiao Lien had made the greater contribution in purchase of the house. Chen Yu-chen registered the house in the name of Chen O-ling, and then re-sold to her friends Zheng O-huan and Xie O-huang, who were husband and wife, for the high sum of \$18.93 million. By carrying out the aforementioned act of money laundry, Chen Yu-chen received a total of \$18.93 million as proceeds from the sale of house; after deducting the purchase cost of \$11.36 million, she made an enormous profit of \$7.57 million.

d. \$10 million illegal funds were laundered and whitewashed (using the names of nominees and Kuo Hsiao Lien to buy a law firm)

To conceal her property gains from her serious crimes, Chen Yu-chen then colluded with Kuo Hsiao Lien to buy **land and house**, with her funds, to enable Kuo Hsiao Lien to run a law firm. Chen Yu-chen purchased the apartment and its proportional land ownership located at 8-1F, No. 32, Guelin Road, Wanhua District, Taipei City in the name of Chen O-ling. The purchase price was paid by Chen Yu-chen from the Chen O-ling account she controlled, including paying \$5.11 million of her serious criminal gains to An Shin Company; she also obtained a loan from the Taipei Branch of Cathay United Bank in the name of Chen O-ling. Chen Yu-chen registered the so-purchased land and apartment in the name of Chen O-ling, but actually used it for Kuo Hsiao Lien's law firm office; Chen Yu-chen held on to the title certificates for the relevant land

and real estate, as well as the seals.

e. Money laundry by Kuo Hsiao Lien after Chen Yu-chen was taken into custody

After Chen Yu-chen was taken into custody by order of the Court on November 13, 2012, Kuo Hsiao Lien, in an attempt to avoid the attachment of the serious criminal proceeds in his, Yan O-lin and Guo O-hua accounts used by Chen Yu-chen, called the staff at KCG on November 16, 2012 to sell in full the stocks in his and Guo O-hua's name, at prices resulting in stop of trading in these stocks, and also withdrew in cash the entire remaining \$26,423,000 in Kuo Hsiao Lien, Yang O-lin and Guo O-hua's accounts, including Chen Yu-chen's serious criminal gains. In this manner he sought to conceal the serious criminal gains derived by Chen Yu-chen and to create stop points for fund flows, so as to impede the investigation and attachment by judicial authorities.

2. Offenses

(1) Regarding the defendant Chen Yu-chen

The defendant Chen Yu-chen's acceptance of bribes for shielding gambling constituted the offense of accepting bribes in violation of duties under Article 4, Paragraph 1, Subparagraph 5 of the Anti-Corruption Act; the offenses of shielding gambling under Articles 270, the first part of Article 266, Paragraph 1, and Article 268 of the Criminal Code; and the offense of failure to prosecute in abuse of powers under the latter part of Article 125, Paragraph 1, Subparagraph 3 of the Criminal Code. The acts of money laundering by the defendant constituted an offense of Article 11, Paragraph 1 of the Money Laundering Control Act.

(2) Regarding the defendant Shih Yung Hua

- a. The defendant Shih Yung Hua's operation of electronic gambling machines are in contravention of the offense of gambling under Article 266, Paragraph 1 and Article 268 of the Criminal Code.

- b. The defendant's violation of the pre-amended Electronic Games Business Management Act has exceeded the 5 years limitation period for prosecution, and therefore no separate non-indictment decision will be issued.
- c. The defendant's act of bribery is in violation of Article 11, Paragraph 1 of the Anti-Corruption Act; however, since the defendant had voluntarily confessed to the offense, the sanction shall be excluded un the first part of Article 11, Paragraph 5 of the same Act. No separate non-indictment decision will be issued.

(3) Regarding the defendant Kuo Hsiao Lien

The defendant Kuo Hsiao Lien's acts constituted the money laundering offense of concealing property gains from another person's serious offenses, under Article 11, Paragraph 2 of the Money Laundering Control Act.

II. Prosecution of former chief prosecutor of Banqiao DPO, Yang O-tu, for dereliction of duties

1. Yang O-tu was appointed to the position of chief prosecutor of Banqiao DPO from April 27, 2001 until July 30, 2003, and should have properly supervised the senior prosecutors and prosecutors under his authority. He should have urged progress in cases that were "not proceeding for more than 3 months without cause" or "not concluded without cause or delayed on pretext"; he should also have conducted proper performance reviews of his subordinates.
2. Chen Yu-chen took advantage of the case assigning rule of "later case merging with earlier case" to monopolize handling of cases involving Hua Jia Games Hall and Yong Jia Games Hall, handling a total of 31 complaint cases during this period; of these, 7 were not concluded within the usual period, being the means by which Chen Yu-chen irregularly held back and held down cases to shield electronic gambling games on a long-term basis. As her supervisor, Yang O-tu had failed to carefully review the report of overdue and unconcluded cases, the concluded cases and the investigation files in accordance with the regulations, with the result that he was unable to discover Chen Yu-chen's unusual and irregular state, and also to correct Chen Yu-chen's misguided and

illegal acts in time. Chen Yu-chen's irregular investigation behavior, including "later cases merging with earlier cases" and "custodianship of seized property" had already attracted much attention, and should have given rise to suspicions of corruption and criminal conduct. Yet Yang O-tu had no knowledge whatsoever of such serious corruption within his office, had failed to carry out proper performance reviews as required, and had failed to carry out the appropriate preventive measures. Discovery of Chen Yu-chen's corruption not only shocked the general society, but also seriously damaged the reputation of the prosecutorial authorities; Yang O-to, as Chen Yu-chen's direct supervisor, cannot deny his liability for dereliction of duties. This Office therefore attaches the relevant facts and evidence for examination by the Ministry of Justice, and later for examination by the Control Yuan, so as to warn and deter others.