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A law firm's 3-billion-dollar lesson¹



“ The OUTSTANDING LAW FIRM



Lee and Li Attorneys-at-law

Photo from December 02, 2012 Apple Daily

Lee and Li Attorneys-at-Law, Taiwan's largest law firm, was founded in the 1940s in Shanghai by Lee Ze-Min (李澤民). Ze-Min reopened his law practice in Taipei in 1953, and Lee Chao-Nian (李潮年) joined the firm in 1965. Ze-Min passed away in 1970, and Chao-Nian gave the firm its present name. At the time, the firm had 30 employees and focused exclusively on overseas legal and IP-related matters. Chao-Nian subsequently passed away in 1973 and Chen Chang-Wen (陳長文) and seven other attorneys took over firm operations as principal partners. In 1982, four attorneys left and Chang-Wen

together with two other partners, Xu Xiao-Bo (徐小波) and Li Kwan-Tao (李光燾) became the second-generation pillars of Lee and Li Attorneys-at-Law.

¹ 臺北地檢署 92 年度偵字第 21189 號案件，調查被告劉偉杰侵占案件，認理律法律事務所受新帝公司委託在台灣出賣所持有聯電公司股票，該所指派資深法務專員劉偉杰保管新帝公司印鑑，並代新帝公司在中國信託證券公司及彰化銀行開戶，開戶後並保管新帝公司存摺。劉偉杰利用保管之便，偽造新帝公司授權書，至亞洲證券及世華銀行開立新帝公司帳戶，並至香港設立新帝投資公司及向香港世華銀行開戶。後新帝公司將聯電股票存入在台證券公司帳戶，劉偉杰旋將所有股票提出並賣出，得款新台幣 30 億元，匯出至香港。後利用購買高價鑽石方法洗錢。劉偉杰並利用友人護照潛逃中國，整容後不見蹤跡。目前仍通緝中。本件偵查檢察官郭永發、盧筱筠。

GCR

Global Competition Review

Lee and Li's 500 employees today are divided into the four departments of banking, corporate, litigation, and IP. The firm also maintains three branch offices in Taiwan, including the Hsinchu branch, Taichung branch, and Southern Branch. Moreover, the firm maintains strategic alliances with Lvmeng Intellectual Property Agency in Beijing and Leaven Attorneys-at-law in Shanghai to provide extended legal and IP services in China.

Lee and Li provides a high standard of professional legal services and has frequently been named the best legal service institute in Taiwan. Moreover, Global Competition Review has named Lee and Li a worldwide Top-100 law firm for many years.

This made what happened in 2003 at Lee and Li Attorneys-at-Law all the more shocking.

“ THE TRUSTED EMPLOYEE —

Liu Wei-Jie



Photo from August 18 , 2016
Liberty Times

Liu Wei-Jie held degrees from the law school at National Zhongxing (later National Taipei University) and from the Southern Methodist University’ s Dedman School of Law. After failing to pass Taiwan’ s bar exam, Wei-Jie joined Lee and Li in 1989 as a paralegal.

Wei-Jie worked in Lee and Li’ s corporate department for nearly 14 years, ultimately rising to a senior paralegal and billing out at NT\$6,500 (over US\$200) per hour - a fee just slightly less than a partner in the firm. Although Wei-Jie was treated as a trusted and important member of the firm, he longed for more. His intimate familiarity with his firm’ s internal procedures allowed him to take unwarranted advantage of his position and to start making big bucks on the side.



Wei-Jie's father, Liu Rong-Xian, was a former employee of Taiwan Cooperative Bank (合作金庫) who had conspired with the bank manager and other staff to make illegal loans totaling NT\$130 million from his bank in 1992. He fled to the U.S. after committing this crime and has been on the Taipei District Court most-wanted list for corruption crimes ever since.

It is unclear how much influence his father had over Wei-Jie as he steered his own career down the path of crime.

“ The Embezzlement unnoticed



SanDisk Corporation (新帝公司) is a California-based company that designs and sells flash memory products. SanDisk had previously purchased 127,846,000 shares of Taiwan's UMC Corporation as an investment and, looking to find a suitable agent in Taiwan to sell these shares, contracted with Lee and Li in February 2002. The contract directed SanDisk to deposit the shares into a safekeeping account at CTBC Securities (中信證券) when an agreement to purchase had been confirmed, at which

time the purchase price would be deposited into a SanDisk corporate account in Changhwa Bank (彰化銀行). To lay the groundwork for this contract, Lee and Li directed Liu Wei-Jie, its senior paralegal, to open accounts at both CTBC Securities and Changhwa Bank on behalf of its client in April 2002. Instead of entrusting SanDisk's bankbooks and official corporate stamps to separate individuals, Wei-Jie took responsibility for both. It was a clear indicator that Lee and Li trusted Wei-Jie completely to handle the matter.



Photo from June 22, 2015 Apple Daily

However, Wei-Jie had other plans in mind. He had patiently waited for this opportunity to make it rich on his law-firm connections. Now in possession of SanDisk's corporate stamps, he forged power of attorney documents in the name of SanDisk and sent them to CTBC Securities. These documents gave himself authorization to sell the stocks

and withdraw the funds from the SanDisk account. He then forged the necessary power of attorney documents and set up stock transaction accounts at Asia Securities Investment Consultant Company (亞洲證券) and Shihwa Commercial Bank (世華銀行, which later merged with Cathay Commercial bank into Cathay United Bank, 國泰銀行) in September 2002.



Wei-Jie concurrently began studying Gem identification, foreign exchange, and money laundering techniques in order to be able to pull off his scheme.

When SanDisk informed Lee and Li that it would deposit the UMC shares into the safekeeping account at CTBC Securities on August 1st, 2003, Wei-Jie knew it was time to launch his long-planned schemes. He had secretly flown to Hong Kong the month before to set up a shell company named “SanDisk Investment Company” and to open a SanDisk corporate account in Shihwa Commercial Bank’s Hong Kong branch unbeknownst to his firm and client. Thus, after SanDisk deposited the shares, Wei-Jie withdrew them immediately using SanDisk’s corporate stamp and bankbook and deposited them into the Asia Securities Investment account on August 1st, 2003.

Beginning on August 6th, 2003, he sold off all of the entrusted shares for a total of NT\$3 billion (US\$100 million), and wired NT\$2.25 billion (US\$75 million) to the SanDisk bank account that he had opened in Hong Kong. These funds were later wired to purchase diamonds in order to erase the paper trail of the stolen money. His work finished, Wei-Jie applied to the firm to authorize his taking leave without pay effective October 1st, 2003. When Wei-Jie left his position at Lee and Li, none in the firm had yet noticed anything unusual or suspicious.



Diamond

Photo from February 04, 2004
Mario Sarto, Wiki

Liu Wei-Jie withdrew NT\$600 million (US\$20 million) from his “SanDisk” account and asked a famous diamond dealer overseas to arrange a diamond transaction for him. The dealer sent a Jewish expert with 10 loose diamonds to Taiwan for the transaction, who was quickly impressed with Wei-Jie’s apparent ability to identify and grade the gems. Wei-Jie rejected outright two of the diamonds that he been brought and then negotiated a price that was very close to the dealer’s cost. Convinced that Wei-Jie was a diamond expert, a deal was eventually struck for the sale of 10 loose diamonds for a total transaction price of NT\$200 million (US\$7 million).

Now that he had taken care of the money, would he manage to leave Taiwan safely?

Back in May 2002, Wei-Jie had borrowed his homosexual partner Huang Shi-Hwa (黃室華)’s national ID card, passport, household registration certificate, and military retirement certificate. Several months later he reported Shi-Hwa’s ID as missing and reapplied using his own photo. With this photo ID in hand supporting his identity as his partner, 10 days later, he applied for a passport for himself under his partner’s name.

Thus, as early as a year before this con, Wei-Jie had prepared a false-but-legal ID and passport to slip out of the country unnoticed.

1 See <http://news.ltn.com.tw/news/society/paper/36234>

Once Wei-Jie had liquidated the SanDisk shares, he wired NT\$3 million to Shi-Hwa with the warning not to deposit any of the money in a bank and a recommendation to take a long trip far away from home.

Wei-Jie left the country with another partner, Lin Cen-Wei (林岑韋), for Hong Kong and then Mainland China in September 2003.

On October 9th, 2003, Lee and Li became suspicious for the first time that Wei-Jie may have stolen and sold the SanDisk shares for personal gain. On October 15th, Senior Partner Xu Xiao-Bo and spokesper-

son Jiang Da-Zhong (蔣大中) made a public announcement of the shocking incident.

Mr. Huang Shi-Hwa



Photo from April 19, 2005 Apple Daily

“ THE INVESTIGATION

After notification from Lee and Li, T Prosecutor Guo Yong-Fa (郭永發) directed investigators from the Ministry of Justice's Investigation Bureau (MJIB) to look into the incident.

A raid on Wei-Jie's residence was authorized, and investigators found stacks of books and materials on gem identification, foreign exchange, and money laundering. Only then did they realize that they were dealing with a money laundering professional. Investigators immediately began the work necessary to follow the money trail.

The prosecutor ordered a thorough check of the bank accounts of SanDisk both in Taiwan and overseas and traced the

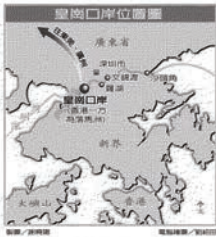
shares and vending money. It was soon discovered that both the shares and the funds had been moved through fake corporate accounts.

The prosecutor further checked up on Wei-Jie's phone records and sifted through his paper trail. It was then discovered that Wei-Jie had forged his partner's passport to flee the country. Huang Shi-Hwa was later indicted for knowingly receiving NT\$3 million in crime proceeds and for violating the Passport Law. He was sentenced to serve 1 year and 2 month in prison.

For his part, Shi-Hwa never returned the money to Lee and Li, and complained that his indictment had revealed his sex-

出二進三杰偉劉 岸口崗皇 陸大入進港香 一之岸口個四

上北路一可還 州廣莞東赴轉 近最路公速高離 出查被易不 關過寶珠著帶 多最抓裡這 案私走境跨



鬆寬最開通 岸口崗皇

，鬆寬為利也開通，大器資流實人於商，進入通四通免稅期，開通後開時小四分，岸口崗皇的大量洲星（列馬路為經商方港香）岸口崗皇。▲
（角照科資報本）

【本報記者劉偉明報導】「皇崗口岸」是香港與中國大陸之間最重要的陸路口岸之一，也是目前香港與中國大陸之間唯一的陸路口岸。皇崗口岸位於香港新界皇崗，與深圳接壤。該口岸於一九八二年正式開放，目前每日進出的人流量超過十萬人。皇崗口岸的開放，為香港與中國大陸之間的貿易和人員往來提供了極大的便利。然而，由於該口岸位於邊境地區，長期以來一直受到走私活動的威脅。據悉，走私活動在皇崗口岸非常猖獗，涉及大量的毒品、武器和貴重物品。為了打擊走私活動，香港和中國大陸當局加強了對該口岸的檢查和監控。目前，皇崗口岸的走私活動已經得到了有效的遏制，口岸的貿易和人員往來也更加安全。

照護「華室黃」用停能可 杰偉劉

照護假作製為代團集罪犯託委地當港香在能可劉 後索搜被處住華室黃

【本報記者劉偉明報導】香港警方日前在皇崗口岸附近的一處住所內，搜獲一批價值不菲的珠寶首飾，包括金飾、鑽石、名錶等。警方表示，這些珠寶首飾是屬於一名在逃的犯罪集團成員。該名成員名為劉偉杰，現年三十五歲，廣東人，涉嫌在過去數月內，在香港及中國大陸多地，從事多宗非法活動，包括走私、洗黑錢等。警方在搜獲珠寶首飾後，隨即展開調查，並拘捕了多名涉案人員。目前，劉偉杰仍在逃，警方正全力追緝中。據悉，劉偉杰在逃期間，一直居住在皇崗口岸附近的一處住所內。警方在該住所內搜獲的珠寶首飾，價值高達數十萬元。這些珠寶首飾的來源，據警方初步調查，是劉偉杰在逃期間，通過非法手段獲得的。警方表示，他們將繼續加強對該案的調查，並希望公眾提供線索，協助警方早日將劉偉杰緝拿歸案。



任司公產地房在華安黃 劉員人務法理理的地房
+ 片照案報本
（片照案報本）

台灣洗錢 香港分行最好洗

【本報記者劉偉明報導】香港警方日前在皇崗口岸附近的一處住所內，搜獲一批價值不菲的珠寶首飾，包括金飾、鑽石、名錶等。警方表示，這些珠寶首飾是屬於一名在逃的犯罪集團成員。該名成員名為劉偉杰，現年三十五歲，廣東人，涉嫌在過去數月內，在香港及中國大陸多地，從事多宗非法活動，包括走私、洗黑錢等。警方在搜獲珠寶首飾後，隨即展開調查，並拘捕了多名涉案人員。目前，劉偉杰仍在逃，警方正全力追緝中。據悉，劉偉杰在逃期間，一直居住在皇崗口岸附近的一處住所內。警方在該住所內搜獲的珠寶首飾，價值高達數十萬元。這些珠寶首飾的來源，據警方初步調查，是劉偉杰在逃期間，通過非法手段獲得的。警方表示，他們將繼續加強對該案的調查，並希望公眾提供線索，協助警方早日將劉偉杰緝拿歸案。

Photo from United Daily News

ual orientation and forced him “out of the closet” . He claimed to have spent all of the money that Wei-Jie had given to him in retaliation. He also argued that, as Wei-Jie had regularly supported him financially, he never suspected the source of the money might be illegal. The court did not believe these stories told in his defense and sentenced him to serve the full sentence.

After sifting through all of the evidence, the prosecutor realized that Wei-Jie and his embezzled riches had skipped the country –

to Mainland China where Taiwan doesn’t have a mutual legal assistance agreement. Thus, nothing could be done to secure his extradition. Even worse, Wei-Jie had not only wired money overseas but had also turned some of the proceeds into untraceable, high-priced diamonds. As Hong Kong also lacked a mutual legal assistance agreement with Taiwan, any money going there was effectively untraceable.

Prosecutor Guo issued a want warrant for Wei-Jie, who has been at large ever since.

“ THE CONSEQUENCE



Mr. Liu Wei-Jie's new face

Photos from August 19, 2016 Liberty Times

Although Wei-Jie and the money had disappeared, Lee and Li's liability remained.

On October 20th, 2003, Lee and Li began negotiations with SanDisk over compensation. A law firm has unlimited liability toward its clients. Even though Lee and Li had prepared NT\$100 million as a liability reserve, the figure was far less than what was necessary to cover the embezzled amount. Lee and Li faced the possibility of announcing bankruptcy in order to liquidate everything as compensation. However, doing so would ruin

both the firm and its attorneys. Therefore, the Firm had no choice but to find another path to provide compensation.

The embezzlement had thrown SanDisk into peril as well. As a listed firm on NASDAQ, SanDisk would be required to report its losses soon to the SEC in the United States. Inability to come up with a good resolution for the debt could shake the faith of its shareholders and investors and ultimately collapse the company.

The two companies reached a compensa-



Cathay United Bank

Photo from September 14, 2016 EBC

tion agreement in 24 days. Under this agreement, Lee and Li would pay US\$20 million (NT\$600 million) immediately and then US\$48 million (NT\$1.44 billion) within four years, backed by letters of credit. The final US\$18 million (NT\$540 million) would be paid by providing 18 years of unbilled legal services to SanDisk, doing charitable works, and providing legal education to the public. Based on the Firm's well-established reputation, SanDisk agreed to the redemption scheme.

Lee and Li concurrently filed a lawsuit against Cathay United Bank (former Shihwa Commercial Bank) for the breach in an administrator's duty of care that

allowed Wei-Jie to withdraw such a large amount of money. Lee and Li asked for NT\$991 million in compensation from the bank's president and related staff. The bank argued against the firm's accusation, stating that Wei-Jie had the legal power of attorneys necessary to open an account, make withdrawals, and wire funds. Thus, the bank could not be held responsible for Lee and Li's loss. The court ultimately found in the bank's favor and overruled Lee and Li's lawsuit.

“ THE HEARSAY



Photo from Criminal investigation bureau

As for the leading character in this story, Lee and Li posted a reward of NT\$1.5 billion (US\$50 million) to anyone who captured Wei-Jie, their wayward employee. Although tips flooded in, nothing concrete resulted. Lee and Li also sent representatives to the Mainland China several times to negotiate for his arrest and extradition with no better luck. Rumors speculated that Wei-Jie had undergone plastic surgery to change his appearance and make it even harder for anyone to identify him.

Wei-Jie remained on the list of the Top-10 Wanted Criminals in Taiwan until his statute of limitations ran out in 2017.

QUOTE FROM PROSECUTOR

Guo Yong-Fa

This case was attentively looked by the public and faced a challenge of investigation secrecy. I remembered one time when I scheduled to raid a jewelry shop suspected to be involved in money laundering; the press somehow got the information and waited outside the shop for SNG report before raid started.

I then strongly restrained the investigation team to leak any information to the press during investigation. Soon after the firm filed a complaint against Mr. Liu, I figured out Liu and the money he embezzled had gone overseas. By tracing his footprints, I

discovered he used his lover Huang's Id to leave Taiwan but accompanied by another lover Lin to flee. Lin's mother ever lettered to me in despair and asked me to retrieve her son. However, since we didn't have mutual legal assistance with Mainland China and Hong Kong, it was almost impossible to trace further. So I closed the case with a wanted warrant to Liu.





Taipei 101
Photo from Chen Ji-Ren