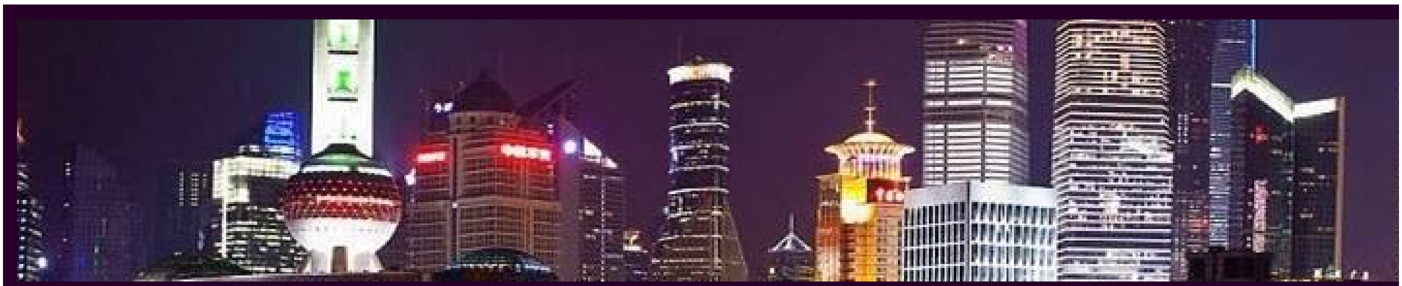

Newsletter

Update

April 30, 2025

Update

China Enacts Private Economy Promotion Law

On April 30, 2025, *the Law on the Promotion of the Private Economy* was adopted, and is scheduled to take effect on May 20, 2025.

As China's first foundational legislation dedicated specifically to the development of private economy, the Law consists of 9 chapters and 78 articles, covering General Provisions, Fair Competition, Investment and Financing Promotion, Scientific and Technological Innovation, Business Regulation, Service Support, Rights Protection, Legal Liability, and Supplementary Provisions.

Regarding fair competition safeguards and investment-financing promotion, the Law stipulates that the State implements a nationally unified market access negative list system. All economic entities, including private economic organizations, may equally enter, in accordance with the law, sectors not listed on the market access negative list. It supports private economic organizations in investing and starting businesses in strategic emerging industries, future industries, and other fields, encourages technological transformation and upgrading of traditional industries, and promotes their participation in modern infrastructure investment and construction.

Shanghai Proposes 20 Measures to Promote the Development and Growth of Specialized and Innovative SMEs

On April 3, 2025, the Shanghai Municipal Government published the *Several Measures to Promote the Development and Growth of Specialized and Innovative Small and Medium-sized Enterprises in Shanghai* (the “Measures”) on its website, which took effect on the same day.

The Measures propose six aspects consisting of twenty specific measures, including promoting high-growth development, aiding refined management, facilitating high-level innovation, reducing all-element costs, implementing precise empowerment, and improving multi-level services. The Measures include building a gradient cultivation platform, supporting enterprises to go public, providing rewards to eligible enterprises, establishing a “Specialized and Innovative Loan” with a total scale exceeding RMB 400 billion, supporting enterprises’ participation in electricity market transactions, promoting digital transformation, and supporting overseas expansion of enterprises.

Full Text of the Work Plan for Accelerating the Comprehensive Pilot Program for Expanding Opening-Up of the Service Industry Officially Released

On April 11, 2025, the Ministry of Commerce (MOFCOM) published the full text of the *Work Plan for Accelerating the Comprehensive Pilot Program for Expanding Opening-Up of the Service Industry* (the “Work Plan”) on its website, which took effect on the same day.

The Work Plan clarifies the expansion of the pilot scope, acceleration of the pilot pace, and proposes 14 new pilot tasks: (1) Support the open development of telecommunications services and related digital industries. (2) Improve the openness and service guarantee level in the medical and health care sectors. (3) Promote international cooperation in the financial sector, orderly expand the business scope of financial institutions, deepen the Qualified Foreign Limited Partner (QFLP) pilot, and innovate the development of new types of offshore international trade. (4) Enhance the innovative vitality in the commercial, cultural, and tourism sectors. (5) Promote interconnectivity and efficiency improvement in transportation services. (6) Enhance the international competitiveness of the integration of “two industries”. (7) Empower the open development of new business models in the service industry. (8) Improve the level of trade and investment liberalization and facilitation. (9) Facilitate the entry, exit, and employment of foreign talents. (10) Strengthen legal protection and orderly development of foreign-related legal services. (11) Improve the foundational standards in key business areas. (12) Promote the alignment and compatibility of domestic and international management standards. (13) Coordinate efforts to align with international high-standard economic and trade rules. (14) Strengthen the construction of a coordinated risk prevention and regulatory system.

Shanghai Pudong Unveils Policies to Support Enterprises Going Global

On April 11, 2025, the *Pudong New Area Action Plan for Supporting Enterprises Going Global* (the "Plan") was published on the Shanghai Municipal People's Government website, which specifies 16 major tasks. The Plan took effect on the same day.

The Plan outlines the implementation of a package of "going global" public service policies, providing full-process public services in overseas investment, cross-border finance, cross-border taxation, and overseas security for enterprises throughout the pre-outbound, outbound, and post-outbound stages. It offers a set of "going global" country-and-region-specific guides, "going global" tax guidelines, and foreign exchange business guidelines for capital projects to address information asymmetry issues during overseas expansion. The Plan also commits to providing efficient administrative services for outbound investment, diversified financing support for global operations, enhanced convenience in cross-border capital facilitation for enterprises going global, and eligibility for relevant headquarters policies for enterprises expanding abroad.

CSRC Releases Regulations on the Supervisory Responsibilities of CSRC's Regional Offices

On April 18, 2025, the China Securities Regulatory Commission (CSRC) released the *Regulations on the Supervisory Responsibilities of CSRC's Regional Offices* (the "Regulations") on its website, which will take effect on May 19, 2025.

The Regulations clarify the supervisory responsibilities of regional offices in the securities, futures, and fund markets, including daily supervision, risk prevention and handling, case investigations and administrative penalties, and investor protection. Regional offices are required to strengthen inspections on information disclosure, internal control, and business standards of market entities, and are responsible for the risk management of securities companies, public fund managers, and futures companies within their jurisdiction. The Regulations also emphasize the responsibilities of regional offices in network and information security, investor protection, and integrity supervision, requiring them to establish information sharing and regulatory cooperation mechanisms to promote the healthy development of the capital market.

Shanghai Officially Releases Full Text of New Policies to Promote Private Economy Development

On April 1, 2025, the Shanghai Municipal Government published the *Notice on the Issuance of Several Measures to Promote High-Quality Development of the Private Economy in the New Era and New Journey by the CPC Shanghai Municipal Committee and the Shanghai Municipal People's Government* (the "Measures") on its website, which took effect on the same day.

The Measures consist of 26 items, proposing to optimize the development environment for the private economy, strictly implement the negative list for market access, and ensure private enterprises can participate equally in market competition and government procurement. It supports private enterprises in expanding investment, participating in green and low-carbon transformation, and the construction of artificial intelligence infrastructure. The Measures also propose to increase financial support, encourage credit provision, and broaden financing channels. The Measures aim to resolve issues of payment arrears, enhance incentives for creditworthiness, and impose penalties for untrustworthiness. They seek to protect the legal rights of private enterprises, optimize administrative inspections and supervision, support private enterprises in innovative development, and participate in scientific and technological breakthroughs and international development.

China Advances Digital and Intelligent Transformation of Pharmaceutical Industry

On April 24, 2025, the Notice of the Ministry of Industry and Information Technology (MIIT) and Six Other Departments on Issuing the *Implementation Plan for the Digital-Intelligent Transformation of the Pharmaceutical Industry (2025－2030)* (the "Plan") was released on MIIT's official website, which took effect on the same day.

The Plan states that by 2027, significant progress will be made in the digital and intelligent transformation of the pharmaceutical industry, with over 100 typical scenarios for the application of digital and intelligent technologies in the industry created; by 2030, enterprises above a designated size in the pharmaceutical industry will have basically achieved full coverage of digital and intelligent transformation.

The Plan deploys four key actions: empowerment through digital and intelligent technologies, promotion of digital and intelligent transformation, construction of digital and intelligent service systems, and enhancement of digital and intelligent regulation, while specifying detailed work requirements. For safeguards, the Plan calls for strengthened policy support to advance the research, development, and promotion and application of digital and intelligent technologies and products in the pharmaceutical industry. Local governments are encouraged to coordinate support policies related to projects, financing, land use, and energy consumption to facilitate the early implementation of key digital and intelligent transformation projects by pharmaceutical enterprises. Financial institutions are guided to provide medium- and long-term loans, supply chain finance, financial leasing, listing guidance, and other financial services for digital and intelligent transformation projects in the pharmaceutical industry.

CAC Releases First Batch of Q&A on Data Cross-Border Security Management Policies

On April 9, 2025, the Cyberspace Administration of China (CAC) released the Q&A on Data Cross-Border Security Management Policies (April 2025), clarifying the implementation paths for systems such as data cross-border security assessment, standard contracts for personal information export, and personal information protection certification.

The Q&A summarizes the research and responses to recent inquiries received by the administration, clearly stating that pilot free trade zones can formulate negative lists for data export to facilitate cross-border data flows. The necessity of personal information export must be assessed, and important data must undergo a security assessment before being exported. Foreign enterprises can participate in the formulation of industry technical standards. Group companies can consolidate applications for data export assessments to improve efficiency. The validity period of data cross-border security assessment results can be extended to three years.

Article(s)

Legal Study on the Establishment and Regulatory Compliance for Cross-border Private Equity Funds in China

by Rachel Chen

I. Introduction

With the steady advancement of opening-up in China's capital markets, cross-border private equity funds have become a crucial channel linking international capital with high-quality domestic projects. Foreign asset management institutions not only provide capital support to Chinese enterprises but also promote local industrial upgrading through international post-investment management models and global resource integration capabilities.

However, fundraising and operations of cross-border private equity funds in China must navigate multiple institutional constraints such as private fund regulation, foreign exchange controls, and industry access restrictions. Enhancing capital utilization efficiency and safeguarding investment returns under compliance prerequisites, while meeting differentiated regulatory requirements at both central and local levels, has become a core challenge for foreign private fund managers.

II. Regulatory Framework and Evolution of Cross-border Private Equity Funds in China

1. Core Regulations and Filing System

(a) *Interim Measures for the Supervision and Administration of Private Investment Funds* (CSRC Order No. 105, 2014)

This regulation established a dual-track framework comprising manager registration and fund filing for private funds, and laid out rules for private placement and qualified investors. However, its relatively low legal authority resulted in regulatory gaps, particularly in addressing complex issues such as multi-layered structures and disguised related-party transactions.

(b) *Regulations on the Supervision and Administration of Private Investment Funds* (State Council Order No. 762, 2023)

Promulgated on July 9, 2023, and effective from September 1, 2023, these regulations fill the legislative void at the higher law level for private funds. They unify all fund forms under one regime, refine private-equity-specific rules, and strengthen ex-ante and ex-post supervision by granting regulators powers to suspend operations, replace personnel, or revoke registrations. Additionally, the regulations introduce mechanisms for investor redemption and manager replacement in crisis funds, and adopt a differentiated regulatory approach with a dedicated chapter for venture capital funds, applying classification-based requirements based on fund type, size, and compliance track record.

(c) *Foreign Investment Law* (2020)

Through its "Negative List" (Article 28), it affirms that private fund management is not subject to investment restrictions. However, foreign shareholders must still meet relevant qualification requirements.

Article 35 stipulates a national security review mechanism for investments in sensitive sectors. For instance, in 2023, a foreign fund investing in a quantum communications firm was required to submitt additional export-control materials.

2. Foreign Exchange Management Framework

(a) Foreign Exchange Administration Regulations

Foreign investors must secure approval before registering with the State Administration of Foreign Exchange (SAFE). Capital-account transactions require approval or documentation. Foreign-invested enterprises must register capital inflows, profit repatriation, and post-liquidation RMB outflows. External debt and guarantees are quota-managed and must be registered. All funds must be used as approved and are subject to supervision; violations risk recall, fines, or criminal penalties.

(b) *Guidelines for Foreign Exchange Business under the Capital Account* (SAFE, 2024)

Funds must follow cycle of Registration – Account Opening – Fund Utilization – Repatriation: register with SAFE post-MOFCOM approval, specifying currency; open Foreign Exchange Capital and Capital Account Settlement accounts; deposit subscribed capital; restrict fund use to approved projects; match all inflows/outflows to registered purposes; re-register for additional investments; repatriate profits post-tax via the Forex Earnings Account; retain agreements and vouchers for compliance checks.

3. Practical Challenges

- High qualification thresholds requiring JVs, strict capital and management criteria, driving up costs and delays.
- Inefficient cross-border capital flows due to multilayer approvals, cause idle capital.
- Inconsistent local implementation leading to varied outcomes and timelines.
- Misaligned pilot policies hindering the balance between compliance and returns.

III. Regulatory Requirements and Responses by Fund Type

1. Foreign-initiated Private Equity Funds

Key Requirements: Must form a JV management company with a Chinese partner, complete business registration, AMAC filing, SAFE registration, and local commerce bureau record-filing with strict capital, team, and experience criteria.

Response Strategies:

- JV Structure Design: Ensure majority Chinese ownership; foreign partner provides expertise via service agreements.
- Phased Filing Coordination: Sequence business/foreign-investment approvals, then AMAC and SAFE filings; leverage local partners.

2. Foreign-participated Venture Capital Funds

Key Requirements: Foreign LPs must meet qualified investor standards, undergo beneficial-owner screening, and re-file any LP share changes.

Response Strategies:

- Share Management Mechanism: Include subscription, lock-up, and conditional transfer clauses.
- Eligibility Pre-screening: Conduct due diligence on foreign LPs to ensure compliance.

3. Joint-venture Fund Management Companies

Key Requirements: Align articles with AMAC registration; consult MOFCOM and commerce bureaus on shareholding and risk controls; establish compliance, internal-control, and AML frameworks subject to self-inspection.

Response Strategies:

Parallel Articles and Shareholder Agreement: Define governance and decision processes.

Internal-Control System: Set up compliance/risk team, implement policies, and file self-inspection reports.

IV. Conclusions and Recommendations

China's cross-border private fund regime, built on 2023 regulations, the Foreign Investment Law, FX rules, and QFLP pilots, covers manager credentials, fundraising, capital flows, and disclosure. Yet high entry barriers, uncertain forex approvals, and uneven local practices impede efficient launches. Regulators should unify compliance guidance, pilot flexible filing and settlement schemes, adopt principles-based oversight with updated partnership law provisions and incentives, accelerate digital review platforms, and hold tripartite forums among central, local, and industry stakeholders to enhance transparency and efficiency.

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