

China enacts new foreign investment law

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On 15 March 2019, China's National People's Congress approved the Foreign Investment Law of the PRC (the Foreign Investment Law). The Foreign Investment Law will become effective on 1 January 2020 and will replace existing foreign investment laws.

The key features of the Foreign Investment Law are as follows:

- ▶ Chinese subsidiaries of foreign parents will be treated in the same manner as Chinese-owned Chinese entities; however the former is subject to a negative list of foreign investment which prohibits foreign investors from investing in specific industries.
- ▶ Foreign-invested enterprises are allowed to raise funds through the public offering of stock, corporate bonds and other securities.
- ▶ New registration forms will be required for investments under the Foreign Investment Law. A five-year transition period is provided to change all required registrations forms to comply with the rules under the Foreign Investment Law.

The Foreign Investment Law intends to open the basic framework of investments to foreign investors, and to actively promote, protect and regulate the foreign investments. While many of the rules are still pending further interpretations, it is anticipated that the respective government authorities will provide clarifications and guidance of the rules.

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