

China MOFCOM and SAFE issued new rules for foreign invested investment companies

On December 8, 2011, China Ministry of Commerce and Chins State Administration of Foreign Exchange jointly issued a new circular further regulating the business of foreign invested investment companies.

A foreign invested investment company refers to a foreign invested company that is engaged in direct equity investment acitivities in China, often employed by multi-national companies as the holding company in grouping their Chinese entities.

In this new circular, foreign invested investment companies are now barred from using loans obtained within China to finance their equity investment projects. On the other hand, it makes it clear that such investment companies can use their RMB fund derived from profits stemming from other investment projects or from liquidation of other investments or equity or share transfer or capital decrease and the like for new investment projects.