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Han Kun Newsletter

Issue 219 (7th edition of 2025)

Legal Updates

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1. Cross-Border Cash Pool – Reform and Integration

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On April 1, 2025, the People's Bank of China ("**PBoC**") and the State Administration of Foreign Exchange ("**SAFE**") jointly issued the *Notice on Issuing the Administrative Measures for Integrated RMB and Foreign Currency Cash Pooling of Multinational Corporations (Draft for Comments)*[1] ("**Draft High-version Cash Pooling**"), aiming to promote nationwide the relatively mature High-version Cash Pooling (defined below) policies developed in earlier pilot programs. On July 25, 2025, PBoC and SAFE jointly issued the *Notice on Issuing the Administrative Measures for Centralized Operation and Management of Cross-Border RMB and Foreign Currencies by Multinational Corporations (Draft for Comments)*[2] ("**Draft Low-version Cash Pooling**"), in order to achieve nationwide application of the relatively mature Low-version Cash Pooling (defined below) policies developed in earlier pilot programs.

I. Evolution of various cross-border cash pooling regimes

Prior to 2020, there existed two separate regimes: the cross-border two-way RMB cash pooling led by PBoC, and the SAFE version cash pooling. At that time, if a multinational corporation ("**MNC**") needed to pool RMB and foreign currency ("**FCY**") funds, the same corporate group had to establish separate RMB and FCY cash pools, resulting in high construction and maintenance costs for the MNC. In addition, cross-border two-way RMB cash pooling was regulated by varying policies. For example, in Shanghai, there were three types of cross-border two-way RMB cash pooling businesses, operated respectively under: (1) the *Notice of the People's Bank of China on Further Facilitating Multinational Enterprise Groups in Operation of the Cross-Border Two-way RMB Cash Pooling Business* ("**National Version**"); (2) the *Notice of Shanghai Head Office of People's Bank of China on Efforts to Promote Cross-Border Use of RMB in China (Shanghai) Pilot Free Trade Zone* ("**Shanghai FTZ Version**"); and (3) the *Notice on Further Expanding Cross-Border Financial Service Functions in Pilot Free Trade Zones to Support Scientific and Technological Innovation and the Real Economy* ("**FT Version**").

Given the variety of cash pooling regimes, differing thresholds, and complex applicability, since 2021, PBoC and SAFE have actively explored an integration plan to better support effective use of cash pooling. This resulted in pilot programs for the integrated RMB and FCY cash pooling of MNCs ("**High-version Cash Pooling**") and the centralized operation of cross-border funds ("**Low-version Cash Pooling**").

To facilitate your understanding of the integration, we summarize below the evolution of High-version Cash Pooling and Low-version Cash Pooling regimes:

- **High-version Cash Pooling Pilot 1.0:** In March 2021, PBoC and SAFE issued the *People's Bank of China and the State Administration of Foreign Exchange Further Facilitating the Overall Use of Cross-Border Funds by MNCs*, and selected five large and high-credit-rating MNCs each in Beijing and

[1] http://www.pbc.gov.cn/tiaofasi/144941/144979/3941920/5650333/index.html.

[2] http://www.pbc.gov.cn/tiaofasi/144941/144979/3941920/5791563/20250725170618628808.pdf.

Shenzhen to implement the first-batch pilot of integrated RMB and FCY cash pooling. High-version Cash Pooling 1.0 combined the policy advantages of PBoC's RMB cash pooling and SAFE's FCY cash pooling, i.e., (1) appropriately adjusted foreign debt and overseas lending quotas, (2) allowed FCY settlement funds in the domestic master (sub-) fund account of the head company to be directly transferred to the RMB domestic master (sub-) fund account, (3) enabled funds in the domestic master fund account to be directly downstream swept to proprietary accounts of member enterprises for related businesses, and (4) permitted voluntary FCY purchases within certain quotas.

- **High-version Cash Pooling Pilot 2.0:** In July 2022, PBoC and SAFE announced that an upgraded pilot program of the integrated RMB and FCY cash pooling shall be expanded to 8+"2" regions, including Shanghai, Beijing, Jiangsu, Zhejiang, Guangdong, Hainan, Shaanxi, Ningbo, Qingdao, and Shenzhen. High-version Cash Pooling Pilot 2.0 mainly: (1) increased the number of pilot regions and enterprises; (2) allowed MNCs to handle centralized receipts and payments in both RMB and FCY for overseas member enterprises domestically; and (3) further facilitated cross-border receipts and payments in RMB for MNCs.

- **High-version Cash Pooling Pilot 3.0:** In December 2024, adhering to the principle of "iterative upgrading and phased promotion", PBoC and SAFE further upgraded the policies across all ten regions in pilot 2.0. In January 2025, new regulations for integrated RMB and FCY cash pooling, including but not limited to the *Pilot Management Regulations of the Integrated RMB and FCY Cash Pooling Business of Multinational Companies in Shanghai*, were issued in Beijing, Guangdong, Shanghai, and other regions, commonly referred to as High-version Cash Pooling 3.0. Key measures included: (1) enhancing the convenience of cross-border fund flow for MNCs, allowing MNCs to handle related businesses within foreign debt and overseas lending quotas directly upon payment instructions; (2) allowing the head company to handle centralized receipts and payments on behalf of overseas member enterprises with domestic member enterprises or other overseas entities, provided the transaction background is authentic and compliant; (3) increasing the flexibility of cross-border fund flow by allowing partial consolidation of foreign debt and overseas lending quotas for MNCs while moderately retaining flexibility in financial arrangements for individual member enterprises; (4) allowing cross-currency lending among domestic member enterprises for cross-border payments under current accounts to reduce financing costs; and (5) simplifying filing procedures and diversifying available filing methods by delegating such functions not involving foreign debt or overseas lending quotas such as capital account changes and changes to the names of the head company or member enterprises to cooperating banks.

- **Expanding the High-version Cash Pooling Nationwide:** The release of the Draft High-version Cash Pooling is intended for nationwide application of the relatively mature High-version Cash Pooling policies developed from the earlier pilots.

- **Low-version Cash Pooling Pilot 1.0:** In May 2023, PBoC and SAFE announced optimized and upgraded policies on the centralized cross-border operation and management of RMB and FCY funds by MNCs in Beijing, Guangdong, and Shenzhen to support centralized operations of cross-border RMB funds by MNCs. From June to July 2023, local SAFE branches in these three regions issued the *Administrative Measures for Centralized Operation and Management of Cross-Border RMB and*

FCY Funds by MNCs (Pilot Scheme).

- **Expanding the Low-version Cash Pooling Nationwide:** The release of the Draft Low-version Cash Pooling is intended to achieve nationwide application of the relatively mature Low-version Cash Pooling policies developed from the earlier pilots.

II. Comparison and analysis of regulatory policies for various cash pools

Item	Cross-border two-way RMB cash pooling			Centralized operation of cross-border funds by MNCs	Integrated RMB and FCY cash pooling		Centralized operation of cross-border RMB and FCY funds by MNCs	
	National Version	Shanghai FTZ Version	FT Version		High-version 3.0	Draft High-version Cash Pooling	Low-version 1.0	Draft Low-version Cash Pooling
Regulatory authority	PBoC			SAFE	PBoC and SAFE			
Applicable regions	Nationwide	Shanghai	Regions with FT account systems (e.g., Shanghai, Guangdong, Shenzhen, Hainan, and Tianjin)	Nationwide	Ten provinces and cities, including Shanghai, Beijing, Jiangsu, Zhejiang, Guangdong, Hainan, Shaanxi, Ningbo, Qingdao, and Shenzhen	Nationwide (The cash pools in the pilot provinces and cities that apply High-version 3.0 shall continue to be handled under existing regulations, and the Draft High-version Cash Pooling shall not apply)	Beijing, Guangdong, and Shenzhen	Nationwide
Legal basis	*Notice of the People's Bank of China on Further Facilitating Multinational Enterprise Groups in Operation of the Cross-Border Two-way RMB Cash Pooling*	*Notice of Shanghai Head Office of People's Bank of China on Efforts to Promote Cross-Border Use of RMB in China (Shanghai) Pilot Free Trade Zone (Yin Zong Bu Fa [2014] No.22)*	For example, in Shanghai, the *Notice on Further Expanding Cross-Border Financial Service Functions in Pilot Free Trade Zones to Support Scientific and*	*Administrative Measures on the Centralized Cross-Border Operation and Management of Funds by MNCs (Hui Fa [2019] No.7)*	For example, in Shanghai, the *Pilot Management Regulations of the Integrated RMB and FCY Business for MNCs in Shanghai*	*Notice on Issuing the Administrative Measures for Integrated RMB and FCY Cash Pooling of MNCs (Draft for Comments)*	*Administrative Measures for Centralized Operation and Management of Cross-Border RMB and FCY Funds (Pilot Scheme) (Shen Wai Guan [2023] No.16 / Yue Hui Fa [2023]*	*Notice on Issuing the Administrative Measures for Centralized Operation and Management of Cross-Border RMB and FCY Funds by MNCs (Draft for*

Item	Cross-border two-way RMB cash pooling			Centralized operation of cross-border funds by MNCs	Integrated RMB and FCY cash pooling		Centralized operation of cross-border RMB and FCY funds by MNCs	
	National Version	Shanghai FTZ Version	FT Version		High-version 3.0	Draft High-version Cash Pooling	Low-version 1.0	Draft Low-version Cash Pooling
	Business (Yin Fa [2015] No.279)		*Technological Innovation and the Real Economy (Yin Zong Bu Fa [2016] No.122)*				*No.19 / Jing Hui [2023] No.25)*	*Comments)*

Analysis:

Once the Draft High-version Cash Pooling and Draft Low-version Cash Pooling are formally issued, there will be three types of cash pooling operating in the market:

- High-version Cash Pooling: High-version Cash Pooling is designed primarily for large MNCs, which features high eligibility criteria, large fund transfer limits, and greater operational convenience. Eligible MNCs across the country may establish High-version Cash Pooling under the Draft High-version Cash Pooling. Among these, cash pooling activities in the High-version 3.0 pilot regions (Shanghai, Beijing, Jiangsu, Zhejiang, Guangdong, Hainan, Shaanxi, Ningbo, Qingdao, and Shenzhen) will continue to follow the existing High-version Cash Pooling Pilot 3.0 regulations and are not subject to the Draft High-version Cash Pooling.
- Low-version Cash Pooling: Low-version Cash Pooling is characterized by lower eligibility requirements, which allows a broader range of enterprises to participate. Correspondingly, the cross-border autonomous fund transfer limits and operational convenience are lower than those of the High-version Cash Pooling, which are designed to effectively manage risks associated with cross-border fund flows. From the Draft Low-version Cash Pooling coming into effect, all new cash pooling arrangements (excluding High-version Cash Pooling) as well as existing FCY cash pooling businesses conducted under Hui Fa [2019] No.7 shall comply with the Draft Low-version Cash Pooling.
- Existing cross-border two-way RMB cash pooling: According to the Draft Low-version Cash Pooling, enterprises operating existing RMB cash pooling business under Yin Fa [2015] No.279 (i.e., the National Version cross-border two-way RMB cash pooling) may continue their existing cash pooling model, and are encouraged to gradually transit to Low-version Cash Pooling. Although the Draft Low-version Cash Pooling does not specify how other types of existing RMB cash pooling (e.g., Shanghai FTZ Version and FT Version) will be treated, the explanatory notes to the Draft Low-version Cash Pooling state that, "for existing RMB cash pooling business, given market entities' preferences and differences in management approaches, blanket merge of the existing RMB cash pooling business into the Low-version Cash Pooling poses certain challenges, and enterprises are supported to choose autonomously and encouraged to transition to Low-version Cash Pooling". We therefore understand that these other types of existing RMB cash pooling should also be treated in a similar way as the National Version of cross-border two-way RMB cash pooling.

In practice, to the best of our knowledge, although the Draft High-version Cash Pooling and Draft Low-version Cash Pooling have not yet taken effect, PBoC and SAFE have, in principle, suspended acceptance of new applications for the original RMB or FCY cash pooling. Furthermore, some banks are preparing termination agreements for existing cross-border two-way RMB cash pooling arrangements to facilitate the transition to Low-version Cash Pooling. Signing such termination agreements is not mandatory under the Draft Low-version Cash Pooling, but is intended to accommodate the practical needs of MNCs that opt for transition. As a prudent approach, banks may consider advising MNCs that plan to transition to Low-version Cash Pooling to first file for Low-version Cash Pooling registration and, by any deadlines set by SAFE and / or PBoC, fully settle all receivables and

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	National Version	Shanghai FTZ Version	FT Version		High-version 3.0	Draft High-version Cash Pooling	Low-version 1.0	Draft Low-version Cash Pooling
payables and fulfill related obligations under the existing cross-border two-way RMB cash pooling before closing such cash pool.								
Pooling currency	RMB	RMB	First-tier: RMB and FCY; Second-tier: RMB	RMB and FCY	RMB and FCY	RMB and FCY	RMB and FCY	RMB and FCY
Head company	Domestic or overseas enterprise	Enterprise in the FTZ	Enterprise in the FTZ or overseas enterprise with an FT account	Domestic enterprise	Domestic enterprise	Domestic enterprise	Domestic enterprise	Domestic enterprise
Settlement bank(s)	Up to three	Up to one	Unlimited	Unlimited	Unlimited	Unlimited	Unlimited	Unlimited
Filing method	Filing with the central sub-branch of the PBoC at or above the deputy-provincial level in the place of residence of the head company			Filing with the corresponding SAFE sub-bureau or management department through the SAFE branch at the location of the head company	Filing with the provincial-level SAFE sub-bureau either directly or through the SAFE branch at the location of the head company (subject to local regulations)	Filing with the provincial-level SAFE sub-bureau through the SAFE branch at the location of the head company	Filing with the local SAFE branch at the location of the head company	Same as Low-version 1.0
Analysis: Compared to other SAFE-regulated cash pooling, under Low-version 1.0 and the Draft Low-version Cash Pooling, the filing authority has been shifted downward from provincial SAFE branches to SAFE branches at the location of the head company.								
Eligibility criteria	■ Total business income of the domestic	No requirements for operating duration or business income, etc.	At least three domestic or overseas production or operating	Combined balance of international receipts and payments of	■ Total business income of the domestic member enterprises in	Same as High-version 3.0	■ Total balance of international receipts and payments in	On top of eligibility criteria under Low-version 1.0, an extra

Item	Cross-border two-way RMB cash pooling			Centralized operation of cross-border funds by MNCs	Integrated RMB and FCY cash pooling		Centralized operation of cross-border RMB and FCY funds by MNCs	
	National Version	Shanghai FTZ Version	FT Version		High-version 3.0	Draft High-version Cash Pooling	Low-version 1.0	Draft Low-version Cash Pooling
	member enterprises in the previous year ≥ RMB 1 billion; **and** ■ Total business income of the overseas member enterprises in the previous year ≥ RMB 200 million; **and** ■ Domestic and overseas member enterprises have been established for more than one year		member enterprises shall be included in the pool	domestic member enterprises in the previous year ＞ USD 100 million (＞USD 50 million in FTZ)	the previous year ≥ RMB 10 billion **and** total balance of international receipts and payments in RMB and FCY in the previous year ≥ RMB 7 billion or equivalent; **and** ■ Total business income of the overseas member enterprises in the previous year ≥ RMB 2 billion or equivalent; **and** ■ Total number of domestic and overseas member enterprises shall be not less than three		RMB and FCY of all domestic member enterprises in the previous year ≥ RMB 700 million or equivalent (*350 million*); **or** ■ Total business income of all domestic member enterprises in the previous year ≥ RMB 1 billion (*500 million*), and the total business income of all overseas member enterprises in the previous year ≥ RMB 200 million (*100 million*)	requirement shall apply – "total number of domestic and overseas member enterprises shall be no less than three"
Analysis: Compared with the High-version Cash Pooling, the eligibility criteria for Low-version Cash Pooling have been significantly reduced to 1/10 of those for integrated RMB and								

Item	Cross-border two-way RMB cash pooling			Centralized operation of cross-border funds by MNCs	Integrated RMB and FCY cash pooling		Centralized operation of cross-border RMB and FCY funds by MNCs	
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FCY cash pooling, and satisfying either the international receipts and payments requirement or the business income requirement would suffice. For head companies registered in FTZs, the eligibility criteria are further reduced by half (as indicated by the *italicized* text in brackets above). Additionally, under High- and Low-version Cash Pooling, even enterprises in FTZs must meet certain business income or international receipts and payments standards and no longer enjoy the almost "zero-threshold" benefit available under cross-border two-way RMB cash pooling.								
Partial quota centralization	No	No	No	No	Yes	Yes	Yes	Yes
Quota control	No risk-weighted balance for foreign debt / overseas lending				Risk-weighted balance for foreign debt / overseas lending shall not exceed the centralized foreign debt / overseas lending quota Risk-weighted balance for foreign debt＝Σ RMB and FCY foreign debt balance＋Σ FCY foreign debt balance * exchange rate risk conversion factor Risk-weighted balance for overseas lending＝ΣRMB and FCY overseas lending balance＋Σ FCY overseas lending balance * currency conversion factor			
	Net outflow (inflow) limit = accrued owner's equity of the cash pool × macro-prudential policy factor Accrued owner's equity of the cash pool = Σ (owner's equity of domestic member enterprises × shareholding ratio of the	No quota limit	The "second-tier" centralization of RMB funds (between overseas or FTZ head companies and non-FTZ domestic member enterprises) shall follow a two-way quota control, under which the net outflow (inflow) limit = accrued owner's	■ Centralized foreign debt quota ≤ Σ (audited owner's equity of the head company and centralized domestic member enterprises as at the end of the previous	■ Centralized foreign debt quota = (latest audited owner's equity of the head company + Σ (latest audited owner's equity of domestic member enterprises × centralization ratio)) × cross-border financing	Same as High-version 3.0	Same formula as High-version 3.0, except that "owner's equity" is calculated based on the audited data as at the end of the previous year	Same as High-version 3.0

Item	Cross-border two-way RMB cash pooling			Centralized operation of cross-border funds by MNCs	Integrated RMB and FCY cash pooling		Centralized operation of cross-border RMB and FCY funds by MNCs	
	National Version	Shanghai FTZ Version	FT Version		High-version 3.0	Draft High-version Cash Pooling	Low-version 1.0	Draft Low-version Cash Pooling
	multinational corporate group)		equity of the cash pool × macro-prudential policy factor, and the centralization and sweeping of funds must be carried out in RMB only	year) × cross-border financing leverage ratio × macro-prudential adjustment factor ■ Centralized overseas lending quota for MNCs ≤ Σ (audited owner's equity of the head company and centralized domestic member enterprises as at the end of the previous year) × overseas	leverage ratio × macro-prudential adjustment factor ■ Centralized overseas lending quota = (latest audited owner's equity of the head company + Σ (latest audited owner's equity of domestic member enterprises × centralization ratio)) × overseas lending leverage ratio × overseas lending macro-prudential adjustment factor			

Item	Cross-border two-way RMB cash pooling			Centralized operation of cross-border funds by MNCs	Integrated RMB and FCY cash pooling		Centralized operation of cross-border RMB and FCY funds by MNCs	
	National Version	Shanghai FTZ Version	FT Version		High-version 3.0	Draft High-version Cash Pooling	Low-version 1.0	Draft Low-version Cash Pooling
				lending leverage ratio × macro-prudential adjustment factor				
Analysis: High- and Low-version Cash Pooling introduce the concept of risk-weighted balances for foreign debt / overseas lending, which explicitly require that risk-weighted balances for foreign debt / overseas lending shall not exceed centralized foreign debt / overseas lending quotas. This is intended to encourage settlements in RMB, as settlements in FCY will additionally consume the cash pool quota.								
Limits on use of funds	The funds shall not be invested in securities, financial derivatives, or non-self-use real estate. They shall not be used for the purchase of wealth management products or for making entrusted loans to non-member enterprises	There are no explicit restrictions; however, in practice, similar limitations as those under the National Version shall apply	The funds shall not be used for non-self-use real estate and investments in the stock market	The current regulations on "capital account - settlement to be paid account" in terms of use of funds thereunder shall apply	Sweeping from the capital account to the domestic master fund account shall comply with the relevant negative list management requirements	Same as High-version 3.0	Sweeping from capital account to the domestic master fund account shall not be used directly or indirectly (via member enterprises) for expenditures beyond the enterprise's business scope or for such purposes prohibited by national laws and regulations, for loans to non-affiliated enterprises, or for	Same as High-version 3.0

Item	Cross-border two-way RMB cash pooling			Centralized operation of cross-border funds by MNCs	Integrated RMB and FCY cash pooling		Centralized operation of cross-border RMB and FCY funds by MNCs	
	National Version	Shanghai FTZ Version	FT Version		High-version 3.0	Draft High-version Cash Pooling	Low-version 1.0	Draft Low-version Cash Pooling
							direct or indirect investment in securities / wealth management products or non-self-use real estate	
Analysis: Following the issuance of the *Notice of the State Administration of Foreign Exchange on Further Deepening Reforms to Promote Cross-Border Trade and Investment Facilitation* at the end of 2023, both the Draft High-version Cash Pooling and Draft Low-version Cash Pooling uniformly apply the negative list for the use of capital account funds to the funds swept from capital account to the domestic master fund account, i.e., the use of capital contributions, FCY income under foreign debt, and the RMB funds exchanged from such FCY funds must follow the principles of authenticity and self-use, and may not be used, directly or indirectly, for expenditures prohibited by national laws and regulations. Unless otherwise specified, such funds may not be used for securities investment or other investment and wealth management products (except for wealth management products and structured deposits with a risk rating not higher than level 2); for lending to non-affiliated enterprises (except where explicitly permitted in the business scope, or in the four designated areas: Lingang New Area of China (Shanghai) Pilot Free Trade Zone, Nansha New Area of China (Guangdong) Pilot Free Trade Zone, Yangpu Economic Development Zone of China (Hainan) Free Trade Port, and Beilun District of Ningbo City, Zhejiang Province); or for the purchase of non-self-use residential real estate (except by enterprises engaged in real estate development or leasing business).								
Centralized receipts and payments	Supporting the head company or other designated member enterprises to handle centralized cross-border RMB receipts and payments under current accounts for domestic and overseas	Supporting enterprises in Shanghai FTZ to conduct centralized cross-border RMB receipts and payments under current accounts for domestic and overseas affiliated enterprises based on their own operating and management	Capable of handling centralized receipts and payments within the group and with members on its supply chain	Supporting the head company to handle centralized receipts and payments of funds under current accounts for domestic member enterprises via the domestic master fund account	Supporting the head company via the domestic master fund account to: ■ handle centralized receipts and payments of funds under current accounts for domestic member enterprises	Supporting the head company via the domestic master fund account to: ■ handle centralized receipts and payments of funds under current accounts for domestic member	Supporting the head company to handle centralized receipts and payments of funds under current accounts for domestic member enterprises via the domestic master fund account	Applying trade facilitation policies based on Low-version 1.0, under which cooperating banks may apply pilot facilitation policy upon filing, and the head company and member enterprises can apply the

Item	Cross-border two-way RMB cash pooling			Centralized operation of cross-border funds by MNCs	Integrated RMB and FCY cash pooling		Centralized operation of cross-border RMB and FCY funds by MNCs	
	National Version	Shanghai FTZ Version	FT Version		High-version 3.0	Draft High-version Cash Pooling	Low-version 1.0	Draft Low-version Cash Pooling
	member enterprises[3]	needs. Domestic and overseas affiliated enterprises include the member companies that are mainly connected by capital and investment-related relations within the group, as well as enterprises outside the group that have supply-chain relations and close trade relations with group enterprises[4]			■ handle centralized receipts and payments in RMB and FCY with overseas entities on behalf of overseas member enterprises ■ handle centralized receipts and payments in RMB and FCY with domestic member enterprises on behalf of	enterprises ■ handle centralized receipts and payments in RMB and FCY with overseas entities on behalf of overseas member enterprises		facilitation policies to their centralized receipt and payment or netting settlement of current account funds within the cash pool if they qualify as high-quality facilitation pilot enterprises

[3] Strictly speaking, with respect to the National Version cross-border two-way RMB cash pooling, the essence of the cash pooling is the internal sweeping and centralization of surplus and deficit within a MNC group. It cannot be used for profit repatriation, capital contributions, outbound direct investment (ODI), inward or outward remittance of funds related to goods and services trade, or other cross-border fund transfers through the cash pool. In addition, centralized receipts and payments under the current account cannot be conducted via the cash pooling. The cross-border RMB centralized receipts and payments under the current account is an independent business from the National Version cross-border two-way RMB cash pooling, in accordance with the *Notice of the People's Bank of China on Matters concerning Centralized Cross-Border RMB Fund Operation Conducted by Multinational Enterprise Groups* (Yin Fa [2014] No. 324). For simplicity purposes, this article does not distinguish strictly between these two different businesses.

[4] Similar to the National Version cross-border two-way RMB cash pooling, strictly speaking, the cross-border RMB centralized receipts and payments business under the current account in the pilot region is an independent business from the cross-border two-way RMB cash pooling in the pilot region, handled in accordance with the *Notice of Shanghai Head Office of People's Bank of China on Efforts to Promote Cross-Border Use of RMB in China (Shanghai) Pilot Free Trade Zone*. For simplicity purpose, this article does not distinguish strictly between these two different businesses.

Item	Cross-border two-way RMB cash pooling			Centralized operation of cross-border funds by MNCs	Integrated RMB and FCY cash pooling		Centralized operation of cross-border RMB and FCY funds by MNCs	
	National Version	Shanghai FTZ Version	FT Version		High-version 3.0	Draft High-version Cash Pooling	Low-version 1.0	Draft Low-version Cash Pooling
					overseas member enterprises			

Analysis:

(1) Compared to the cross-border two-way RMB cash pooling in Shanghai FTZ Version and FT Version, High- and Low-version Cash Pooling no longer support centralized receipts and payments for overseas member enterprises with domestic supply chain enterprises;

(2) High-version 3.0 supports the head company to handle centralized receipts and payments for overseas member enterprises with domestic member enterprises via the domestic master fund account, but this function is not included in the Draft High-version Cash Pooling, which indicates that it may only be available in the ten pilot regions of High-version 3.0; and

(3) Low-version 1.0 and the Draft Low-version Cash Pooling generally maintain the scope of centralized receipts and payments under SAFE's cash pooling regime (i.e., centralized cross-border fund operations by MNCs). They only support the head company in handling centralized receipts and payments of current account funds for domestic member enterprises. The Draft Low-version Cash Pooling incorporates recently introduced foreign exchange facilitation policies, allowing enterprises that meet certain criteria to apply preferential policies for centralized receipt and payment of current account funds in the cash pool. These preferential policies include facilitation policies for foreign exchange receipts and payments for trades by high-quality enterprises, cross-border trade high-level opening pilot programs, and higher-level trade and investment facilitation pilots, such as those outlined in the *Notice of the State Administration of Foreign Exchange on Expanding the Pilot Program of High-Level Opening Up in Cross-Border Trade and Investment* (Hui Fa [2023] No.30) and the *Notice of the State Administration of Foreign Exchange on Further Deepening Reforms to Promote Cross-Border Trade and Investment Facilitation* (Hui Fa [2023] No.28).

2. Key Implications of Suitability Measures and Recommendations

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Overview

On 11 July 2025, the National Financial Regulatory Administration (NFRA) issued the *Administrative Measures for the Suitability of Products of Financial Institutions* (《金融机构产品适当性管理办法》, the "**Suitability Measures**"), which will take effect on 1 February 2026. The Suitability Measures and related Q&A (available in Chinese only) are available on NFRA's website[5].

The Suitability Measures aim to unify the suitability management rules applicable to products issued by financial institutions supervised by NFRA. We summarize below the key requirements of the Suitability Measures and recommended actions for financial institutions, especially banks.

Key implications

I. Application

The Suitability Measures apply to investment-type products issued, sold, or traded by financial institutions, which expected returns are uncertain and may result in principal losses, as well as insurance products.

- "Financial institutions" refer to NFRA-regulated entities that hold financial business licenses, including banking and insurance institutions.
- "Investment-type products", according NFRA's Q&A, include wealth management products (the "**WM Products**") issued by banks and wealth management subsidiaries, asset management trust products, insurance asset management products, asset management products issued by financial asset investment companies, non-principal-protected structured deposits (the "**SD Products**"), and over-the-counter (OTC) derivatives sold by banks to clients.

Notably, the offering and sale of qualified domestic institutional investor (QDII) products, SD Products and OTC derivatives among others, which are popular in banks, will be governed by the Suitability Measures.

That said, the Suitability Measures do not apply to activities in the interbank market (e.g., derivatives trading in the inter-bank market) regulated by the People's Bank of China. The Suitability Measures also do not apply to the sales of investment-type products issued by securities, fund, or futures institutions (e.g., selling securities investment funds of mutual fund managers as agents), as they are subject to the suitability rules issued by the China Securities Regulatory Commission.

[5] https://www.nfra.gov.cn/cn/view/pages/rulesDetail.html?docId=1217183&itemId=4214&generaltype=1 and https://www.nfra.gov.cn/cn/view/pages/ItemDetail.html?docId=1217129&itemId=915&generaltype=0.

II. Key requirements related to suitability management

Chapter 2 of the Suitability Measures sets out comprehensive requirements applicable to financial institutions, including but not limited to establishing/improving a sound suitability management system, building robust information systems, maintaining proper record-keeping, and implementing controls for special categories of clients. Below is a summary of the key requirements and observations (including comparison with existing rules and recommended actions), especially with respect to banks:

No.	Topics	Key requirements and observations
(a)	Internal policies and systems	■ Establishing and improving a sound suitability management system. (Art. 6) ■ Building information systems that support suitability management, including features for system security, service continuity, data protection, and the ability to identify, alert, and restrict transactions that do not meet suitability requirements. (Art.7) ■ For banks, these are not new Similar requirements have been provided in Art.13 and 29 of the *Measures on Supervision and Administration of Wealth Management Business of Commercial Banks* (《商业银行理财业务监督管理办法》, the "**WM Measures**"), Art.19 of the *Provisional Measures for the Administration of Derivatives Trading by Banking Financial Institutions* (《银行业金融机构衍生产品交易业务管理暂行办法》, the "**Derivatives Measures**"), as well as the general requirements on the information system used by banks.
(b)	Record-keeping	■ Financial institutions shall objectively and comprehensively record key steps of the suitability management process and properly retain relevant materials, including but not limited to product risk ratings, customer assessments, disclosure and warning materials, and audio and video recordings. The process must be traceable, and such records shall be retained for no less than 5 years after the termination of the contractual relationship, unless NFRA provides other retention periods. (Art.17) ■ For banks, previously, audio and video recordings for the sales of WM Products to individual customers should be kept for at least 6 months after the termination of relevant WM Product or contract according to Art.13 of the *Interim Provisions on Audio and Video Recording Management in Designated Sales Areas of Banking Financial Institutions* (《银行业金融机构销售专区录音录像管理暂行规定》). With effectiveness of the Suitability Measures, these shall be retained for at least 5 years. This will also apply to OTC derivatives products of banks.
(c)	Enhanced protection measures for vulnerable	■ When dealing in high-risk products with clients at the age of 65 or above, financial institutions must exercise heightened duties of care. The Suitability Measures may include dedicated sales/trading procedures, enhanced disclosures and risk warnings, additional

No.	Topics	Key requirements and observations
	groups	information collection, longer decision-making time, and timely follow-up with such clients. Online sales/trading processes must be elderly-friendly, user-friendly, and secure. (Art.18) For banks, these requirements are not new. The WM Measures have already required them to take into account the age and investment experience of investors at the age of more than 65 in the course of risk tolerance assessment. NFRA has also in different rules required the enhanced management of sales activities to the elderly and individuals who lack civil capacity, e.g., the *Guidance on Further Improving the Level of Financial Services for the Elderly* (《关于进一步提升金融服务适老化水平的指导意见》) and *Administrative Measures on Agency Sales by Commercial Banks* (《商业银行代理销售业务管理办法》). ■ Financial institutions must not sell or transact products with individuals who lack civil capacity. With the consent of a legal guardian, low-risk products may be sold to individuals with limited civil capacity. (Art.19) For banks, this is a new requirement but we understand in practice many banks have implemented this.
(d)	Suitability management in third-party distribution arrangements	■ Where a financial institution engages a third party to distribute products, it must verify that the distributor possesses the necessary qualifications and has adequate personnel, internal controls, and technical infrastructure to fulfill suitability obligations. The financial institution must provide the distributor with relevant suitability standards and requirements, including factors considered in product classification and risk rating. The distributor is responsible for conducting customer assessments and ensuring suitability matching. (Art.21) ■ These requirements are not new. Banks can only engage other banks to distribute WM Products. According to the *Administrative Measures for the Distribution Business of Commercial Banks as Agency* (《商业银行代理销售业务管理办法》), such other banks should have satisfied the above general requirements.

III. Risk rating

Art.22 of the Suitability Measures requires financial institutions to adopt a universal risk rating system for all investment-type products, which is similar with that for WM Products under Art.27 of the WM

Measures, and the risk levels shall be divided into at least 5 levels, from level 1 (lowest risk) to level 5 (highest risk).

Notably, under Art.44 of the Derivatives Measures, banks are also required to categorize OTC derivatives products based on their risk and complexity, but there is no mandatory requirement on the number of risk levels. With effectiveness of the Suitability Measures, banks shall adopt a universal risk rating system for all investment-type products, including WM Products, SD Products and OTC derivatives products.

In addition, for products involving investment portfolios, financial institutions shall assign risk rating based on the overall risk of the product but not any single underlying asset of the portfolio.

When classifying the risk levels of investment-type products, Art.23 of the Suitability Measures requires financial institutions to conduct a comprehensive assessment based on the following factors: (i) investment objective, scope, ratio, and the liquidity of underlying assets; (ii) maturity terms, subscription and redemption arrangements; (iii) leverage; (iv) structural complexity; (v) method of offering; (vi) the credit status of the issuer and other relevant parties; (vii) historical performance and volatility of similar products; and (viii) other relevant factors. For banks, it is worth noting that existing rules for WM Products and OTC derivatives do not detail these risk factors and banks will need to ensure these are properly factored into the risk rating system for investment-type products.

IV. Differentiated treatment between professional investors and ordinary investors

1. Scope of professional investors vs ordinary investors

The Suitability Measures distinguish between professional investors and ordinary investors. Art.27 of the Suitability Measures defines the scope of professional investors to include (i) banking financial institutions, insurance financial institutions, financial holding companies, securities, funds, and futures business institutions, and private fund managers; (ii) financial products issued by the aforementioned institutions to investors, as well as asset service trusts and charitable trusts managed by trust companies; and (iii) social security funds, enterprise annuities, occupational annuities, and other pension funds, charitable funds and other public welfare funds, QFIIs and RQFIIs. Investors that are not professional investors will be ordinary investors.

2. No conversion into professional investors

Compared with the consultation draft of the Suitability Measures, the final version has removed the provision allowing investors to apply for professional investor status, so unlike Art.11 and 12 of the *Measures for the Suitability Management of Securities and Futures Investors* (《证券期货投资者适当性管理办法》), ordinary investors will not be able to apply to be treated as professional investors even if they are willing to do so and are fully aware of the relevant risks.

3. Differentiated treatment

The Suitability Measures allow financial institutions to simplify or even waive risk tolerance assessments and traceability requirements when selling investment-type products to professional investors. For ordinary investors, financial institutions must strictly follow the provisions of the Suitability Measures to assess their risk tolerance, determine the products suitable for their purchase or trading, provide clear suitability matching opinions, fully fulfill their duty of disclosure, and promptly issue risk warnings.

For banks, it is notable that the scope of "professional investors" for the purpose of suitability management is different from the scope of "qualified investors" for distribution of privately offered WM Products under the WM Measures. Banks will also need to set up differentiated suitability system targeted at professional investors and ordinary investors respectively.

V. Information disclosure

Art.31 of the Suitability Measures provides a general requirement on the information that shall be disclosed to ordinary investors in the course of sales of investment-type products, and such disclosure should be made in an easy to accept and understand manner. While not required for professional investors, it would be prudent to follow the same requirement in terms of information disclosure.

For banks, the scope of information that shall be disclosed with respect to the investment-type products is largely consistent with existing requirements for WM Products and SD Products under Art.26 of the WM Measures and Art.1 of the *Requirements for the Sales Management of Wealth Management Products of Commercial Banks* (《商业银行理财产品销售管理要求》, the "**WM Product Sales Requirements**"), and existing requirements for OTC derivatives products under Art.48 of the Derivatives Measures, except that the risk rating (for OTC derivatives) and the circumstances under which the risk rating may be changed (for all investment-type products) will need to be further added into the relevant offering documents.

VI. Risk tolerance assessment

Art.29 of the Suitability Measures introduces enhanced requirements to ensure the effectiveness of investor risk tolerance assessments:

1. Frequency limits

With the same financial institution, investors may not complete risk tolerance assessments more than twice per day or more than 8 times within a 12-month period.

2. Reconfirmation requirement

If an investor's latest risk tolerance level differs from the previous result, the financial institution must alert the investor and prompt a reconfirmation of the change.

For banks, the regulatory requirements in sub-paragraphs (i) and (ii) above are new regulatory requirements and shall be properly built in the suitability management system.

3. Assessment validity

It is specified that in principle, the assessment result is valid for 12 months. If more than 12 months have passed since the last assessment, or if an investor voluntarily informs the institution of any circumstances that may affect their risk tolerance, the financial institution shall reassess the investor's risk tolerance before selling products to or conducting transactions with the investor.

For banks, the 12-month valid period has already been provided for non-institutional investors (but not institutional investors) in Art.2 of the WM Product Sales Requirements, and for all investors in Art.44 of the Derivatives Measures. The Suitability Measures go further to apply the 12-month valid period for all types of investors. Notably, the 12-month valid period of risk tolerance assessment result under the Suitability Measures does not distinguish among institutional investors, individual investors, professional investors or ordinary investors, which means that if banks have carried out risk tolerance assessment with respect to a professional investor (though such assessment can be waived under

Art.27 of the Suitability Measures), the 12-month valid period will also apply for the sales of investment-type products to such professional investor.

VII. Regulatory and administrative measures

In addition to customary measures such as on-site inspections, on-site investigations, off-site supervision, and administrative penalties, Art.44 of the Suitability Measures introduces an additional supervision tool, i.e., incorporating the financial institution's suitability management performance into the annual regulatory assessment of financial consumer protection.

Outlook

The Suitability Measures fill a longstanding regulatory gap in suitability management across the broader financial market especially the banking and insurance industry, creating a more unified investor suitability management standard across different sectors. While the Suitability Measures bring greater regulatory clarity and consistency, they also raise the bar for institutional compliance, particularly in areas such as product risk-rating, customer assessment, and record-keeping. Banks and other financial institutions should take a proactive approach to revisit their internal policies, sales and record-keeping procedures, system capabilities, and third-party distribution arrangements to ensure full alignment with the new suitability framework.

Our team have extensive experience advising on regulatory compliance in the financial services sector, especially banking services, and we are well-positioned to support clients in navigating these heightened requirements and building robust suitability management system. If there is any question with respect to this briefing, please do not hesitate to contact us.

3. Compliance Highlights and Strategies in High-Risk Clinical Research Landscape

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Several news have recently drawn widespread attention in China's life sciences industry, bringing compliance issues in clinical research under the spotlight. Numerous companies have reached out to us for urgent consultations on these matters. As China's clinical research and drug development enter a new stage of growth, how to effectively manage the compliance risk in the meantime of development has become a shared concern across the industry.

Clinical research in China has been developing rapidly, gradually positioning China as a key player in the global clinical landscape. An increasing number of multinational life sciences companies are choosing to carry out early-stage investigator-initiated trials (IITs) and registration clinical trials in China. This trend reflects over a decade of continuous regulatory reform, during which China has steadily refined its review and approval processes as well as clinical data oversight. As a result, the quality of trials conducted in China has received growing recognition from international regulatory authorities. (For our previous insights on the recent regulatory developments in China's clinical research sector, please refer to: *汉坤 • 观点 | 热点追踪：药物临床试验机构日常监管风险提示*; *汉坤 • 观点 | 解读"722 风暴"后时代药物临床试验机构检查新规*) At the same time, China has been continuously strengthening the regulation of human genetic resources (HGR), and also streamlining compliance requirements for clinical research to effectively support innovation and development. (For our insights on the HGR regulation in China, please refer to: *Highlights on HGR Regulation Implementation Rules*; *Key Takeaways on the New HGR FAQs Issued by the MOST of China*; *汉坤 • 快评 | 《人类遗传资源管理条例》再次修订*)

China's clinical research landscape has matured in parallel. Key stakeholders, including clinical sites (Sites), principal investigators (PIs), contract research organizations (CROs) and site management organizations (SMOs), have significantly improved their expertise in execution and operation in clinical research projects, resulting in higher quality and more efficient trials. Meanwhile, as Chinese drug and medical device companies rapidly expand their global footprint, license-out deals and collaborations with multinational life science companies are booming. This momentum is advancing China's position within the global landscape of drug registration and clinical development. (For our insights on licensing transactions in life science sector, please refer to: *2024 Data Analytics: China Life Sciences NewCo & Licensing Terms*; *Six Key Insights into China Biotech's NewCo Model*; *Insights into China Biotech's New Approach: Spin-off-NewCo Model*; *Anatomy of Licensing Deals from China Regulatory Perspective*)

Key compliance highlights in life sciences clinical research

I. **Data integrity and quality management**

The authenticity, completeness, and integrity of clinical research data remain fundamental to the success of any clinical research. Incidents such as data falsification, non-compliant subject enrollment, or manipulation of follow-up records can severely undermine data quality, jeopardize

product registration and commercialization, and may trigger regulatory penalties by the authorities as well as reputational damage to the company.

China has been continuously improving its regulatory framework for clinical research quality. For example, the *Measures for Supervision and Inspection of Drug Clinical Trial Institutions (Trial)* and the *Measures for Supervision and Inspection of Medical Device Clinical Trial Institutions*, both implemented in 2024, **place emphasis on strengthening oversight of institutions where investigators are concurrently involved in a high volume of clinical trials, or where limited management capacity or insufficient research staffing may pose risks to data integrity and overall trial quality**. China has developed a tiered and integrated regulatory framework for clinical research quality management—**ranging from overarching laws such as the *Drug Administration Law* and the *Regulation for the Supervision and Administration of Medical Devices*, to practical guidelines including the *Key Points and Criteria for Drug Registration Inspection (Trial)*, the *Key Points and Criteria for Supervision and Inspection of Drug Clinical Trial Institutions (Trial)* and the *Key Points and Criteria for Supervision and Inspection of Medical Device Clinical Trial Projects***. These developments reflect China's increasingly rigorous and granular approach to ensuring clinical trial quality.

Companies are reminded to stay aligned with all applicable and evolving regulatory requirements, and to take active steps to strengthen oversight of clinical research quality.

II. Anti-corruption compliance

Life sciences industry has long been a primary focus of China's anti-corruption regulatory enforcement, and clinical research remains subject to stringent regulatory scrutiny. Amid the intensified nationwide anti-corruption campaign targeting life sciences sector in recent years, there is an increased imperative for companies to proactively strengthen compliance management addressing commercial bribery risks associated with clinical research activities.

The Compliance Guidelines for Healthcare Companies to Prevent Commercial Bribery Risks, issued by the State Administration for Market Regulation in January 2025, explicitly delineate the commercial bribery risks that companies should identify and mitigate in clinical research. Specifically, the guidelines prohibit offering improper benefits to clinical trial sites and investigators in exchange for competitive advantages, business opportunities, undue acceleration of clinical processes, or manipulation of clinical trial data. In practice, regulatory authorities will scrutinize clinical research activities based on these standards to determine whether commercial bribery has occurred. Sponsors should accordingly review their clinical trials for any arrangements that may be construed as commercial bribery, such as patient recruitment bonuses or data verification rewards provided to investigators, in order to relax enrollment criteria, grant preferential enrollment, or conceal issues discovered during the trial.

If a company is found to have violated anti-commercial bribery provisions under China's *Criminal Law, Anti-Unfair Competition Law, or Drug Administration Law*, **both companies and their responsible personnel may face administrative penalties or criminal liabilities**. Notably, the latest revision of the *Anti-Unfair Competition Law* introduces personal liability for the first time under the framework of

anti-unfair competition, for a company's legal representatives, principal executives, and responsible individuals directly involved. These personnel may be subject to confiscation of illicit gains and fines up to RMB 1 million. The *Drug Administration Law* has introduced personal "disqualification penalties" earlier, providing that if drug marketing authorization holders, manufacturers, or distributors are found to have bribed public officials during drug development, manufacturing, or marketing activities, the legal representatives, principal executives, directly responsible supervisors, and other relevant personnel could face **a lifetime ban from engaging in drug manufacturing or distribution activities**.

Accordingly, companies and their responsible personnel should conduct comprehensive reviews to ensure the authenticity, legality, and appropriateness of clinical research activities, with particular focus on financial expenditures, etc. For instance, the China Good Clinical Practice (GCP) explicitly requires **contracts between sponsors, investigators, and sites to clearly address potential and actual conflicts of interest, and to ensure that trial funding is reasonable and consistent with market norms**. Excessive payments in clinical research may trigger regulatory scrutiny, making it essential to evaluate risks carefully in the context of each specific project.

We recommend that companies and their responsible personnel take anti-corruption risks seriously by establishing and enforcing robust compliance programs, proactively addressing identified risks, and steadfastly upholding compliance standards in clinical research.

III. Other key issues

Apart from the key considerations outlined above, clinical research is also subject to a range of other compliance requirements, including but not limited to **HGR management, ethics review, data compliance and personal information protection, as well as subject injury compensation**. Given the scope of this article, we will not elaborate on these topics herein. If you would like to explore any of these topics in more detail, please feel free to contact us. (For our previous insights on the HGR regulation and ethical review, please refer to: *Top 10 Traps to Avoid: Navigating China's HGR Applications*; *汉坤 • 观点 | 伦理审查新规重点快评*; *China Released New Ethics Rules Requiring Company's Internal EC*; *汉坤 • 观点 | 解读 2024 年版《赫尔辛基宣言》最新亮点 — 全球医学研究伦理准则系统性更新*)

Practical strategies for managing clinical research risks

I. Risk identification and assessment

Companies and their corporate groups are encouraged to undertake a systematic review of all clinical research projects, including past, ongoing, and planned ones, whether self-initiated or collaborative, to identify key risks that may compromise regulatory compliance or undermine commercialization processes. Moreover, for enterprises considering **financing, mergers and acquisitions, licensing arrangements, or IPOs**, compliance issues related to clinical research often constitute key areas of due diligence and can be critical factors influencing valuation and the transaction outcomes.

In practice, key aspects requiring careful attention include the **compliance status of ethics review, the reasonableness of financial terms, the roles and performance of clinical sites and investigators, the compliance background of collaborators, and the structure and terms of agreements**. Each of these areas requires careful and case-by-case risk analysis due to the complexity and project-specific characteristics. We recommend that companies place special emphasis on clinical research compliance and conduct thorough risk reviews in collaboration with internal or external legal counsel.

II. Remedies and responses

For projects and agreements with key risk areas or significant potential compliance issues, targeted compliance reviews and risk assessments are recommended. Based on the specific circumstance, practical corrective measures should be implemented, including, but are not limited to, **implementing dedicated CAPA (Corrective and Preventive Actions), supplementing compliance clauses, revising existing agreements, adding tailored provisions in transaction documents, or reassessing relevant business plans**. In cases that have drawn regulatory attention or involve serious compliance deficiencies, it is essential to **develop regulatory response strategies to address feedback and mitigate potential impact**. Where necessary, companies should also consider **whether terminating the relevant cooperation is warranted** to protect overall corporate interests.

III. Compliance development and regulatory monitoring

We recommend companies **establish and continuously improve their clinical research compliance management systems** with support from internal or external legal counsel by clearly defining responsibilities and standardizing procedures. **Regular training by internal or external legal experts** is also essential to raise awareness and ensure effective implementation. Meanwhile, companies should **closely monitor the latest regulations, policies, and enforcement updates from drug regulatory authorities**, and accordingly adjust strategies and update management systems.

We will also keep a close watch on regulatory trends and, drawing on practical experience, provide companies with timely and professional policy insights and support.

Conclusion

China's life sciences sector is entering a dynamic and vibrant new phase, with clinical research facing unprecedented opportunities and challenges. As regulatory framework becomes more comprehensive and compliance guidelines become increasingly detailed, the quality management of clinical trials in China continues to advance, providing a solid foundation for the development of innovative medical products and supporting the sustainable growth of the industry. We believe China's life sciences sector will grow increasingly robust and make stronger strides onto the global stage.

We will continue to stand alongside Chinese life sciences companies, helping them improve compliance management and strengthen their domestic presence, and expand globally. At the same time, we remain

committed to supporting foreign enterprises in navigating the Chinese market, identifying and managing compliance risks, fostering collaboration, and achieving mutually beneficial outcomes.

Important Announcement

This Newsletter has been prepared for clients and professional associates of Han Kun Law Offices. Whilst every effort has been made to ensure accuracy, no responsibility can be accepted for errors and omissions, however caused. The information contained in this publication should not be relied on as legal advice and should not be regarded as a substitute for detailed advice in individual cases.

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