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ANTI-MONEY LAUNDERING

China

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Anti-Money Laundering

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DOMESTIC LEGISLATION

Domestic law

Identify your jurisdiction's money laundering and anti-money laundering (AML) laws and regulations. Describe the main elements of these laws.

The table below sets forth the major AML-related laws and regulations of the People's Republic of China (for the purposes of this chapter, excluding the Hong Kong and Macau Special Administrative Regions and Taiwan), and their main elements.

Title	Main elements
1. Laws	
Anti - Money Laundering Law(AML Law)	The AML Law was originally passed by the Standing Committee of the 10th National People's Congress on 31 October 2006 and revised on 8 November 2024; it took into effect from 1 January 2025. The AML Law serves as the foundation for the AML regulatory framework in China, providing the scope of money - laundering activities, the regulatory obligations in relation to AML, the scope of obligors and the consequences for non - compliance with such regulatory obligations. The AML Law aligns with the Financial Action Task Force (FATF) standards. As the core legislation governing AML in China, beyond the seven activities criminalised under the Criminal Law (as defined below), the AML Law provides a catch - all clause to broaden the scope of money - laundering activities to include disguising or concealing the source or

	nature of proceeds and gains from other crimes, which allows the authorities to incorporate additional offences, such as telecom and online fraud, into the upstream offences for the purpose of the AML regulatory framework.
Criminal Law	The Criminal Law was first promulgated on 6 July 1979 and most recently amended on 29 December 2023. Article 191 of the Law defines such money laundering activities that will be criminalised under Chinese laws, targeting the concealment or disguise of proceeds from seven specific upstream crimes – namely, drug trafficking, organised crime, terrorism, smuggling, corruption, financial fraud and disruption of the financial order. Articles 312 and 349 of the Law expand the coverage of crimes targeting money laundering activities on the basis of article 191. The 11th Amendment to the Criminal Law, promulgated in 2020, further refined and supplemented relevant provisions and criminalised 'self - money laundering' activities – that is, laundering proceeds from one's own crimes – thus closing previous legal loopholes.
Law on the People's Bank of China	

	This Law was first issued on 18 March 1995 and most recently amended on 27 December 2003. It defines the supervisory, monitoring and investigative functions of the People's Bank of China (PBoC) in respect of AML work.
2. Departmental rules and normative documents	
Measures for Client Due Diligence and Management of Client Identity Information and Transaction Record Retention by Financial Institutions (Financial Institutions Due Diligence and Client Identification Measures)	To implement the AML Law, address the FATF international assessment of China and enhance the effectiveness of customer due diligence (CDD), the Financial Institutions Due Diligence and Client Identification Measures were released on 31 October 2025 and took effect on 1 January 2026. Key features include the following: • Risk - based CDD: financial institutions shall identify and verify the identity of clients and beneficial owners. CDD measures shall correspond to the assessed risk level — simplified for low - risk clients and enhanced for high - risk clients; • Extended record retention: client identity information and transaction records shall be kept for at least 10 years; and

	• Transition arrangement: CDD for higher - risk and above existing clients shall be completed by 1 July 2026 and CDD for all existing clients shall be completed within two years.
Measures for the Administration of Reporting Large - Value and Suspicious Transactions by Financial Institutions (Large - Value and Suspicious Transactions Reporting Measures)	The Large - Value and Suspicious Transactions Reporting Measures define reporting standards and procedures for large - value and suspicious transactions to facilitate the monitoring of potential money - laundering activities. These Measures were originally promulgated on 28 December 2016 and have since been revised twice, on 26 July 2018 and 30 September 2025 respectively. The revised Measures came into effect on 1 December 2025, introducing the following key changes: • The scope of applicable entities has been expanded. In addition to banks, securities firms, insurance institutions, trust companies and other institutions originally covered, the Measures now expressly include wealth management companies, institutions

engaged in exchange services or fund sales businesses, non - bank payment institutions and online micro - lending companies.

- The record retention period has been extended. Materials such as large - value and suspicious transaction reports, as well as working records reflecting transaction analysis and internal handling, shall now be retained for at least 10 years from the date of generation, instead of the previous five - year requirement, aligning with the AML Law.
- A new obligation to provide supplementary information has been introduced. The Anti - Money Laundering Monitoring and Analysis Center may, in accordance with the law, require institutions to submit any additional information related to suspicious transactions, and financial institutions are required to provide such

	information promptly.
Guidelines for Self - Assessment of Money Laundering Risks by Financial Institutions (Financial Institutions Self - Assessment Guidelines)	The Financial Institutions Self - Assessment Guidelines apply to all types of financial institutions and non - bank payment institutions, providing guidance on conducting self - assessments on AML risks and effectively utilising assessment results. These Guidelines were issued in October 2025 and became effective on 1 November 2025. They set out the following key points: • In response to article 40 of the AML Law, the Financial Institutions Self - Assessment Guidelines, for the first time, treat the risk of evading targeted financial sanctions related to proliferation financing on the same level as money laundering and terrorist financing, requiring institutions to establish dedicated capabilities to identify and assess such risks. • Financial institutions are required to identify patterns and characteristics of money laundering risk events from risk information and

	summarise them into risk scenarios. • The Financial Institutions Self - assessment Guidelines and their appendices further provide financial institutions with risk factors for identifying and assessing money laundering, terrorist financing and the evasion of targeted financial sanctions related to proliferation financing, and also specify the content requirements for self - assessment reports.
Measures for the Supervision and Administration of Anti - money Laundering and Counter - Terrorism Financing of Financial Institutions (Financial Institutions AML and CTF Measures)	The Financial Institutions AML and CTF Measures were first issued on 15 April 2021 and subsequently amended on 30 September 2025, with the amendments taking effect on 1 December 2025. The Measures set out requirements for financial institutions on establishing and improving AML and CTF internal control systems, assessing money laundering and terrorist financing risks, developing risk management mechanisms that align with their risk profile and business scale to ensure effective compliance with AML and CTF obligations, as well

	as baseline requirements relating to information system development and client information sharing.
Notice on Matters Concerning the Implementation of the Measures for the Supervision and Administration of Anti - Money Laundering and Counter - Terrorism Financing of Financial Institutions(Notice No. 205)	On 20 October 2025, the PBoC issued Notice No. 205, which took effect on 1 December 2025. Notice No. 205 provides detailed operational guidance for implementing the Financial Institutions AML and CTF Measures. Its key points include the following: • Supervisory division of labour: it clarifies the specific regulatory roles of the PBoC head office and its branches. For example, the PBoC head office directly supervises certain national legal person financial institutions, while branches supervise others based on their registered locations and/or actual place operation. Where a financial institution's registered address differs from its actual place of operation, No. 205 Notice applies registration - based supervision as a general principle, with any exception to be determined through consultation between the PBoC

branches at the place of registration and at the place of actual operation, and escalation to their common higher - level authority.

- Risk - based supervision framework: it emphasises a risk - based approach, requiring regulators to adjust the frequency and intensity of supervision based on the money laundering and terrorist financing risk profile of the financial institution.
- Major event reporting: financial institutions are required to report significant risk events promptly. These include cases involving cross - border money laundering and terrorist financing, major internal control failures or significant regulatory penalties received by overseas branches.
- Annual AML/CTF reporting: it specifies the requirements for the annual AML/CTF work reports, which must be reviewed and signed by the

	person in charge of the institution and submitted by the end of January each year. • Standardisation of supervisory tools: it provides templates and standardised procedures for off - site supervision, risk assessments and regulatory interviews (interventions). Together, the Financial Institutions AML and CTF Measures and No. 205 Notice constitute an integrated regulatory regime built on a 'framework plus detailed rules' approach, providing more practical and targeted guidance on how financial institutions are expected to manage AML/CTF risks, clarify regulatory responsibilities and discharge their compliance obligations in day - to - day operations.
Administrative Measures for Special Anti - Money Laundering Preventive Measures (AML Preventive Measures)	The AML Preventive Measures were issued on 13 January 2026 and came into effect on 16 February 2026. Echoing the principle - based requirements set out in article 40 of the AML Law regarding obligations relating to AML special preventive measures, the AML Preventive Measures further elaborate on the scope of application of such measures and list

	- based management, the specific types of preventive measures and their implementation procedures, as well as requirements for client notification.
Measures for the Administration of Beneficial Ownership Information (Beneficial Ownership Measures)	The Beneficial Ownership Measures were issued on 29 April 2024 and came into effect on 1 November 2024. These Measures require entities such as companies, partnerships and branches of foreign companies to register and report their beneficial ownership information through designated registration systems.
Measures for the Administration of Counter - Terrorist Financing by Social Organisations (Social Organisations CTF Measures)	The Social Organisations CTF Measures were issued by the PBoC and the Ministry of Civil Affairs on 28 March 2025 and came into effect on 1 May 2025. Under the Measures, foundations, social organisations and social service institutions that are legally registered in China and carry out public welfare activities through fundraising and the use of funds, are required to implement measures to prevent terrorist financing risks. These organisations are also subject to periodic terrorist financing risk assessments conducted jointly by the PBoC and the Ministry of Civil Affairs.
	In response to article 64 of the AML Law, the

Administrative Measures for Anti - Money Laundering by Precious Metals and Gemstone Dealers(Dealers AML Measures)	PBoC issued the Dealers AML Measures on 22 June 2025, which came into effect on 1 August 2025. The Measures clarify the following points: • Dealers engaged in spot trading of precious metals like gold, silver, platinum and gemstones such as diamonds and jade in China shall fulfil AML obligations for cash transactions in the amount of 100,000 yuan or more (or equivalent in foreign currency), with the threshold adjustable by the PBoC based on the institution's money laundering risk. • The PBoC and its branches supervise and investigate AML compliance of these institutions and provide guidance on industry self - regulation. Dealers that join trading venues or industry self - regulatory organisations are subject to the industry's AML self - regulatory management. • Dealers shall establish internal AML control systems commensurate with their risk profile and

	business scale, with simplified requirements allowed for those assessed by the PBoC as having lower money laundering risk.
Administrative Measures for Anti - Money Laundering by Real Estate Agents(Real Estate Agents AML Measures)	In response to article 64 of the AML Law, the Ministry of Housing and Urban - Rural Development and the PBoC issued and implemented the Real Estate Agents AML Measures, which came into effect on 25 July 2025. The Measures set out the following key points: • Real estate development enterprises or real estate intermediary institutions that are lawfully established within China and that provide property sales or real estate brokerage services (real estate agents) shall be subject to the Real Estate Agents AML Measures. • The Ministry of Housing and Urban - Rural Development, together with the PBoC, supervises and manages AML work across the national real estate sector, while local housing and urban - rural development

	authorities conduct inspections and supervision of real estate agents' compliance with AML obligations. The China Institute of Real Estate Appraisers and Agents, the China Real Estate Association and relevant local real estate self - regulatory organisations carry out AML self - regulatory management of the real estate sector under the guidance of housing and urban - rural development authorities. • Real estate agents are required to fully assess the money laundering risks they face and, in accordance with the law, implement preventive and monitoring measures, establish robust internal AML control systems and designate internal departments or personnel responsible for AML compliance.
Administrative Measures for Anti - Money Laundering in Lawyer Profession(Law Firms AML Measures)	In response to article 64 of the AML Law, the Ministry of Justice and the PBoC issued the Law Firms AML Measures, which came into

effect on 1 August 2025. The Measures set out the following key points:

- The State Council's judicial and AML authorities oversee AML supervision in the lawyer sector and address major AML issues, while the All China Lawyers Association and its local ofces carry out self - regulatory AML management.
- Law firms established within China that provide legal services and engage in activities specified in article 64(2) of the AML Law (including being entrusted by clients with the purchase or sale of real estate, safekeeping of funds, securities or other assets, management of bank or securities accounts, raising funds for the establishment or operation of enterprises, and acting as an agent in the purchase or sale of business entities – collectively, the covered activities for specific non - financial institutions) shall be subject to the AML Law and the

	Law Firms AML Measures. • Law firms are required to establish and maintain internal AML control systems that are commensurate with their money laundering risk profile, including risk assessment, CDD, retention of client identification information and business records, suspicious transaction reporting, AML special preventive measures, internal audits and inspections, training and awareness programmes, and the confidentiality of AML information.
Administrative Measures for Anti - Money Laundering by Notary Institutions (Notary Institutions AML Measures)	In response to article 64 of the AML Law, the Ministry of Justice and the PBoC issued and implemented the Notary Institutions AML Measures, which came into effect on 1 September 2025. The Measures set out the following key points: • Notary institutions established within China that provide notary services and engage in covered activities for specific non - financial institutions shall be subject to the AML Law and the

	Notary Institutions AML Measures. • The judicial administrative authorities, the PBoC and their local offices are responsible for organising AML work within the notary sector in accordance with the law. The Notary Association exercises self - regulatory supervision over notary institutions' fulfilment of AML obligations. • Notary institutions are required to establish and maintain internal AML control systems covering risk self - assessment, CDD, retention of identification and transaction records, suspicious transaction reporting and AML special preventive measures.
Administrative Measures for Anti - Money Laundering by Accounting Firms(Accounting Firms AML Measures)	In response to article 64 of the AML Law, the Ministry of Finance and the PBoC issued and implemented the Accounting Firms AML Measures, which came into effect on 3 September 2025. The Measures set out the following key points: •

Accounting firms established within China that engage in covered activities for specific non - financial institutions shall be subject to the AML Law and the Accounting Firm AML Measures.

- The Ministry of Finance is responsible for nationwide AML supervision and management of accounting firms and, together with the State Council's AML administrative authorities, addresses major AML issues in the accounting sector. Provincial finance departments oversee AML supervision of accounting firms within their jurisdictions. The Chinese Institute of Certified Public Accountants carries out self - regulatory AML management for accounting firms in accordance with the law.
- Accounting firms are required to establish and maintain internal AML control systems commensurate with their risk profile, including risk

	assessment, CDD, suspicious transaction reporting, AML special preventive measures, retention of client identification and business records, confidentiality of AML information, training and awareness programmes, and internal audits and inspections.
Measures for the Identification of Beneficial Owners of Financial Institutions' Clients (Financial Institutions Beneficial Ownership Identification Measures)	The Financial Institutions Beneficial Ownership Identification Measures were issued on 19 December 2025 and came into effect on 20 January 2026. The Measures are a cornerstone of China's modern AML framework, specifically detailing how financial institutions must perform due diligence to look through corporate structures and identify the natural persons who ultimately own or control their customers. The Measures' key features are as follows: • They apply to the same scope of financial institutions as the Financial Institutions Due Diligence and Client Identification Measures. • They introduce a mandatory verification

	mechanism linked to the beneficial owner's information query management system. Financial institutions are not allowed to solely rely on the government's beneficial owner information query management system (the database managed by the PBoC and State Administration for Market Regulation), while they should check the database and perform their own independent risk assessment and verification, and report discrepancies. • Higher - risk and above existing clients shall be verified before 20 July 2026; all existing clients shall be verified before 20 January 2028; the verification of long - dormant or inactive accounts could be deferred until the account is reactivated or the client conducts a transaction.
Implementation Measures for Anti - Money Laundering in the Securities and Futures Industry (Securities and Futures Industry AML Measures)	The latest Securities and Futures Industry AML Measures were issued and came into effect on 12 August 2022.

	Based on the general AML regulatory requirements applicable to all financial institutions (including securities and futures firms), these implementation measures provide further requirements and specifically address the regulatory requirements applicable to securities and futures firms, and require securities and futures firms to establish and maintain AML internal control systems, including the formulation of operational procedures, enhancement of internal audits and standardisation of AML activities. Additionally, securities and futures firms shall promptly report to local branches of the China Securities Regulatory Commission details of their internal AML department, the designated responsible person and contact information of dedicated AML personnel to facilitate regulatory supervision and guidance.
Anti - Money Laundering Guidelines for Securities Firms (Securities Firms AML Guidelines)	The Securities Firms AML Guidelines were issued by the Securities Association of China and came into effect on 28 April 2014. The Guidelines serve as a practical guide for meeting AML requirements to enhance the adaptability and feasibility of AML work for securities firms.

Measures for the Administration of Anti - Money Laundering Work in the Insurance Sector (Insurance AML Measures)	The Insurance AML Measures were issued on 13 September 2011 and came into effect on 1 October 2011. These Measures provide further requirements and specifically address the regulatory requirements applicable to insurance companies, insurance asset management companies, insurance agents and insurance brokers, including the establishment and maintenance of AML internal control systems, formulation of operational procedures and standardisation of AML activities.
Anti - Money Laundering Guidelines for Fund Management Companies	The Guidelines were issued and came into effect on 16 November 2012. Based on the general AML regulatory requirements applicable to all financial institutions and Securities and Futures Industry AML Measures, the Guidelines further specify requirements for the money laundering work of fund management companies.
Administrative Measures for the Anti - Money Laundering and Anti - terrorist Financing Work of Payment Institutions	The Measures were issued and came into effect on 5 March 2012; they set out specific requirements applicable to payment institutions, such as internal control, client identity identification and suspicious transaction reporting.

Measures for the Administration of Anti - Money Laundering and Counter - Terrorist Financing in Banking Financial Institutions	These Measures were issued and came into effect on 29 January 2019. They establish the basic framework for the AML work of the banking financial institutions by improving their internal control systems, strengthening the regulatory mechanism and clarifying the market entry standards.
Guidelines for the Assessment of Money Laundering and Terrorist Financing Risks and Categorised Management of Clients of Insurance Institutions(Insurance Institutions AML and CTF Guidelines)	The Insurance Institutions AML and CTF Guidelines, issued and implemented on 30 December 2014, aim to help insurance institutions implement a risk - based approach to AML. They require insurance institutions to assess the risk of their products or services being used for money laundering, classify clients based on risk levels and apply appropriate AML measures accordingly, in order to enhance the effectiveness of AML efforts.
3. Judicial Interpretation	
Interpretation of the Supreme People's Court and the Supreme People's Procuratorate on Several Issues Concerning the Application of Law in the Handling of Criminal Money Laundering Cases (Judicial Interpretation on Money Laundering)	The Judicial Interpretation on Money Laundering, issued on 19 August 2024 and effective from 20 August 2024, consists of 13 articles and mainly clarifies the criteria for identifying self - money laundering and third - party money laundering, the standards for determining serious circumstances in money laundering, and specific

	methods for concealing criminal proceeds. It also outlines the principles for concurrent punishment of money laundering and related crimes, sets minimum fines and establishes standards for lenient punishment for offenders who cooperate and show remorse.

Law stated - 1 April 2026

Investigatory powers

Describe any specific powers to identify proceeds of crime or to require an explanation as to the source of funds.

As mandated under the AML Law, the PBoC is responsible for monitoring financial transactions, investigating suspicious activities and overseeing financial institutions' AML compliance. The AML Law also requires the covered obligors to submit transaction records, CDD information and suspicious transaction reports to facilitate the monitoring by the PBoC of suspicious money laundering activities. According to article 44 of the AML Law, the PBoC is mandated with the following administrative powers during its investigations on any covered obligor:

- Question personnel from the covered obligor about suspicious activities;
- Access, review and copy relevant documents and materials, and access computer network and information system to collect and save data; and
- Seal up files and materials that may be transferred, concealed, tampered with or destroyed, and preserve evidence.

Each covered obligor must carry out CDD on its clients, reserve the transaction documentation and records with such clients, and promptly report to the PBoC if it identifies any suspicious transactions. Under article 29 of the AML Law, where relatively high money laundering risks are involved, the covered obligors are also obliged to know the source of funds and purposes. While there is no universally applicable definition of what constitutes relatively high money laundering risk in Chinese laws, some industry or business-specific rules have provided for the obligation to know the source of funds and purposes under specified circumstances, such as article 8 of the Guidelines on the Anti-money Laundering and Anti-terrorist Financing Work of Banks for Cross-Border Business (for Trial Implementation) for cross-border banking activities.

Upon request by the PBoC, any covered obligor is further obliged to cooperate with the PBoC and submit the information and documents required by the PBoC. Thus, the PBoC has extensive powers to identify proceeds of crime or to require an explanation as to the source of funds from the covered obligors and their clients (through the covered obligors).

In addition to the PBoC, the Criminal Procedure Law grants public security organs and procuratorates broader investigative authority in criminal cases, which would enable them to identify proceeds of crime or to require an explanation from covered obligors and/or relevant clients as to the source of funds as follows:

- Investigate filed cases and collect evidence comprehensively to determine guilt or innocence;
- Seize or detain property and documents suspected to be proceeds of crime, ensuring proper handling to avoid misuse;
- Verify evidence through preliminary reviews to ensure its authenticity, legality and relevance for admissibility in court;
- Interrogate suspects during criminal investigations, requiring them to explain the source of their funds; and
- Obligate any unit or individual to provide evidence, including records or explanations clarifying the origin of funds.

Law stated - 1 April 2026

MONEY LAUNDERING

Criminal enforcement

Which government entities enforce your jurisdiction's money laundering laws?

The enforcement of the Anti-Money Laundering Law (AML Law) in the People's Republic of China (for the purposes of this chapter, excluding the Hong Kong and Macau Special Administrative Regions and Taiwan) is mandated to various different authorities with each authority responsible for the enforcement of the AML laws within its own regulated sphere. Set out below are the key law enforcement agencies for the AML laws in China and their respective functions and duties.

People's Bank of China

The People's Bank of China (PBoC) serves as the central AML authority and is designated as the State Council Anti-Money Laundering Administrative Department under the AML Law. It coordinates national AML efforts by formulating regulations and overseeing compliance across financial institutions and licensed non-bank payment institutions, manages AML funds monitoring through the AML Monitoring and Analysis Center (which is responsible for processing large-value transaction reports and suspicious transaction reports), investigates suspicious transactions and submits cases to judicial organs as needed. The PBoC also collaborates with international bodies to align China's AML framework with global standards.

Financial regulatory agencies

The China Securities Regulatory Commission (CSRC) and the National Financial Regulatory Administration (and its predecessors, the China Banking Regulatory Commission, China Insurance Regulatory Commission and China Banking and Insurance Regulatory

Commission, referred to as the NFRA) undertake the AML oversight duties within their respective regulated sphere – for example, the NFRA for all licensed financial institutions in the banking, insurance and trust sectors, and the CSRC for licensed financial institutions in the securities, funds and futures sector.

The CSRC and the NFRA share compliance-related data with the PBoC and judicial organs to enhance risk assessment and enforcement actions. Article 14 of the AML Law explicitly requires financial regulatory agencies to participate in drafting AML management regulations for supervised financial institutions and to implement AML review requirements in financial institutions' market entry processes.

Industry regulatory authorities

The non-financial institutions within the covered obligors are subject to the oversight and regulation of both the industry regulators (eg, the Ministry of Finance for accounting firms, the Ministry of Justice for law firms and notary institutions, the Ministry of Housing and Urban-Rural Development for real estate agents) and the PBoC. The industry regulators are responsible for supervising and inspecting the fulfilment of AML obligations by such non-financial institutions, and addressing AML supervision and management recommendations from the PBoC. The industry regulators may request the assistance of the PBoC with supervision and inspections, as necessary.

Judicial organs

- The Ministry of Public Security and local public security organs are responsible for investigating criminal AML cases, with a particular focus on money laundering crimes linked to underlying offences such as corruption, fraud and organised crime. The Ministry of Public Security will also receive cases (if deemed to constitute criminal AML cases) submitted by the PBoC or other authorities when enforcing the AML Law.
- People's procuratorates are responsible for bringing AML-related criminal charges against natural and legal persons that violate AML laws and commit AML-related crimes.
- People's courts handle the trial and adjudication of commitment of AML-related crimes, imposing criminal penalties, asset confiscations and other enforcement measures.

AML Joint Conference

To coordinate the AML work among different authorities, China established an AML inter-ministerial joint conference (AML Joint Conference) system under the leadership of the PBoC. The AML Joint Conference includes the following members: the PBoC, the Supreme People's Court, the Supreme People's Procuratorate, the General Office of the State Council, the Ministry of Foreign Affairs, the Ministry of Public Security, the Ministry of State Security, the Ministry of Civil Affairs, the Ministry of Justice, the Ministry of Finance, the Ministry of Commerce, the State Taxation Administration, the State Administration for Market Regulation, the CSRC, the NFRA and the State Administration of Foreign Exchange.

The AML Joint Conference has provided a platform for different authorities to share intelligence and unify the regulatory focus. The 12th full-member meeting of AML Joint Conference was held on 24 December 2025, serving as a strategic alignment for China's AML/combating the financing of terrorism (CFT) agenda in 2026. The key aspects of the agenda include: (1) prioritising the fifthround of the Financial Action Task Force Mutual Evaluation; (2) implementing the revised AML Law and ensuring that the high-level principles of the new AML Law are fully integrated into specific department regulations and operational guidelines; (3) moving away from broad-spectrum monitoring toward a risk-based approach where supervision intensity matches the specific risk profile of the financial institution or sector; and (4) maintaining high pressure on the seven categories of upstream crimes and their associated money laundering activities.

Law stated - 1 April 2026

Defendants

Can both natural and legal persons be prosecuted for money laundering?

Yes, both natural persons and legal persons can be prosecuted for money laundering if they have engaged in money laundering activities that are criminalised under the Criminal Law. Notably, as a general principle under the Criminal Law, where the legal persons are found to have engaged in money laundering crimes, the senior management directly responsible for such crimes and other directly responsible persons will also be prosecuted and held accountable.

Law stated - 1 April 2026

The offence of money laundering

What constitutes money laundering?

'Money laundering' is defined under article 2 of the AML Law as the activities of disguising or concealing by various means the sources and nature of the proceeds and income generated from drug-related crimes, crimes by criminal syndicates or gangs, terrorism-related crimes, crimes of smuggling, crimes of corruption and bribery, crimes of disrupting the financial regulatory order, crimes of financial frauds and other crimes. Article 62 of the AML Law further stipulates that where any violation of the AML Law constitutes a criminal offence or if money laundering is committed by utilising covered financial institutions, covered non-financial institutions or other illegal channels, criminal liabilities shall be pursued in accordance with laws.

Money laundering crimes are further defined and prosecuted under article 191 of the Criminal Law, pursuant to which disguising or concealing the source, nature or ownership of proceeds derived from predicate offences will constitute money laundering crimes. Therefore, under this provision, an activity will be deemed a money laundering crime if:

- a predicate offence exists;
- the perpetrator acted intentionally; and
-

he, she or it acted in a manner that disguised or concealed the source/nature/ownership of such proceeds and gains.

Predicate offence

The following crimes shall fall into the scope of predicate offences:

- drug-related crimes (eg, trafficking, manufacturing or distribution of drugs);
- organised crime (eg, activities by criminal syndicates or gangs);
- terrorism-related crimes (eg, financing or supporting terrorist acts);
- smuggling (eg, illegal importation or exportation of goods);
- corruption and bribery (eg, graft by public officials or private entities);
- crimes disrupting the financial regulatory order (eg, manipulating financial markets or institutions); and
- financial fraud (eg, embezzlement, Ponzi schemes or other fraudulent financial activities).

Intention

The Chinese courts will specifically look at the following parameters to determine whether the intention requirement has been fulfilled by the offender as outlined in article 191 of the Criminal Law and article 3 of the Judicial Interpretation on Money Laundering:

- the information that the offender has accessed and received;
- what actions have been taken by the offender towards the proceeds and gains generated from the predicate offences;
- the type and amount of the proceeds and gains;
- the transfer and conversion methods of the proceeds and gains;
- any abnormality with respect to the offender's transaction history and fund accounts;
- the offender's professional experience and his/her/its relationship with the offenders for the predicate offences; and
- the testimony of the co-defendants and the testimony of witnesses.

Disguise or concealment

The offender must have conducted at least one of the following acts to constitute a money laundering crime under article 191 of the Criminal Law and article 5 of the Judicial Interpretation on Money Laundering:

- providing fund accounts;
- converting property into cash, financial instruments or negotiable securities;
- transferring the funds through wire transfer or any other form of payment and settlement;

- transferring assets across border;
- transferring or converting criminal proceeds and gains through means such as pawning, leasing, buying, selling, investing, auctioning or purchasing financial products;
- transferring or converting criminal proceeds and gains by mixing them with the operating revenue of cash-intensive venues such as shopping malls, restaurants and entertainment venues;
- transferring or converting criminal proceeds and gains through fictitious transactions, fictitious claims and liabilities, or fictitious guarantees, or reporting a fictitious income;
- converting criminal proceeds and gains through means such as buying or selling lottery tickets, prize vouchers, stored-value cards, gold or other precious metals;
- converting criminal proceeds and gains into gambling proceeds through gambling;
- transferring or converting criminal proceeds and gains through virtual asset transactions or financial asset exchanges; or
- otherwise transferring or converting criminal proceeds and gains to disguise or conceal the source or nature of the proceeds obtained from predicate offences and the gains derived therefrom.

Law stated - 1 April 2026

The offence of money laundering

Can financial institutions or other money-centred businesses be prosecuted or pursued for their customers' money laundering crimes?

Where financial institutions or other money-centred businesses knowingly and intentionally assist with the money laundering crimes of their clients – for instance, by offering bank accounts to clients to help launder the proceeds from predicate offences – they will be prosecuted and pursued for joint criminal liabilities with such clients.

Where financial institutions or other money-centred businesses have met their AML obligations, the risk of them being prosecuted or pursued for their clients' money laundering crimes should be remote. That said, failing to implement adequate AML controls or ignoring suspicious activities could expose them to administrative penalties or civil liability for damages caused by their oversight.

Law stated - 1 April 2026

Qualifying assets and transactions

Is there any limitation on the types of assets or transactions that can form the basis of a money laundering offence?

Generally, all assets underlying the proceeds and income generated from predicate offences – namely, drug-related crimes, crimes by criminal syndicates or gangs, terrorism-related crimes, crimes of smuggling, crimes of corruption and bribery, crimes of disrupting the

financial regulatory order, crimes of financial frauds and other crimes – can form the basis of a money laundering offence. All transaction types designed to disguise or conceal the source or nature of such underlying assets constitute a money laundering offence.

Law stated - 1 April 2026

Predicate offences

Generally, what constitute predicate offences?

As mentioned above, the following crimes shall constitute predicate offences:

- drug-related crimes (eg, trafficking, manufacturing or distribution of drugs);
- organised crime (eg, activities by criminal syndicates or gangs);
- terrorism-related crimes (eg, financing or supporting terrorist acts);
- smuggling (eg, illegal importation or exportation of goods);
- corruption and bribery (eg, graft by public officials or private entities);
- crimes disrupting the financial regulatory order (eg, manipulating financial markets or institutions); and
- financial fraud (eg, embezzlement, Ponzi schemes or other fraudulent financial activities).

Law stated - 1 April 2026

Defences

Are there any codified or common law defences to charges of money laundering?

There are no specific codified or common law defences to charges of money laundering under Chinese laws. However, in practice, law enforcement agencies may consider and investigate the following arguments made by defendants:

- Lack of knowledge or intent: as discussed above, one of the key elements to what constitutes a money laundering crime is the intention to disguise or conceal the source or nature of proceeds from predicate offences. If the accused can prove his/her/its lack of awareness or reason to suspect the origin of relevant funds (eg, proof of legitimate business purposes can be provided), and there is no red flag when dealing with the relevant funds, the accused can claim no guilt based on lack of knowledge or intent. The accused should refer to the parameters that the court will look at as detailed above and prepare the evidence.
- Lack of link to specified predicate offences: so long as the relevant upstream crime does not fall into the specified scope of predicate offences, the act of disguising or concealing the proceeds from such upstream crime shall not qualify as money laundering, but could be amount to concealment of criminal proceeds.
- Self-laundering for own criminal proceeds: the mere possession, concealment or physical transfer of illicit funds from predicate offence, without actively converting

or legitimising the source of such illicit funds, shall not qualify as money laundering, but will be deemed as part of the predicate offence and cannot be double punished.

Law stated - 1 April 2026

Resolutions and sanctions

What is the range of outcomes in criminal money laundering cases?

From a Chinese law perspective, the range of outcomes in criminal money laundering cases depends on the specific circumstances of the offence, including the severity of the crime, the amount of money involved, the offender's role in the money laundering activities and cooperation with the authorities.

Criminal penalties for natural persons

- Base penalty: for natural persons convicted of money laundering under article 191 of the Criminal Law, the base penalty would be confiscation of proceeds obtained from the commission of the crime and incomes generated therefrom, imprisonment of up to five years or criminal detention, and/or monetary fines of not less than 10,000 yuan.
- Penalty for serious circumstances: if the offence is deemed to have serious circumstances, the imprisonment term increases to up to 10 years with a mandatory monetary fine of not less than 200,000 yuan.
- 'Serious circumstances' are defined in article 4 of the Judicial Interpretation on Money Laundering, including laundering amounts of 5 million yuan or more with aggravating factors (eg, multiple instances, refusal to cooperate in asset recovery or causing losses exceeding 2.5 million yuan, or other serious consequences).

Criminal penalties for legal persons

Legal persons (eg, companies) convicted of money laundering are subject to monetary fines under article 191 of the Criminal Law – for example, a monetary fine of not less than 10,000 yuan as a base penalty and that of not less than 200,000 yuan as a penalty for serious circumstances. Directly responsible personnel of such legal persons would face the same penalties applicable to natural persons as stated above.

Lesser/non-criminal outcomes

Lesser penalty or even non-prosecution may be considered if the offender confesses, shows remorse and actively assists in recovering criminal proceeds, particularly if the crime is deemed minor in accordance with article 10 of the Judicial Interpretation on Money Laundering.

If the people's procuratorate opts not to prosecute (eg, due to insufficient evidence or the crime is deemed minor), the case may be transferred to the administrative authorities such as the PBoC for handling, potentially leading to asset confiscation without criminal conviction.

Law stated - 1 April 2026

Forfeiture and other remedies

Describe any related asset freezing, seizure, forfeiture, disgorgement and victim compensation laws.

Freezing and seizure

Asset freezing and seizure under Chinese laws are foundational mechanisms for securing property during criminal investigations, primarily governed by the Criminal Procedure Law. Under article 141(1) of the Criminal Procedure Law, any property or documents discovered during investigative activities that can prove a suspect's guilt or innocence must be seized or detained, while items unrelated to the case are explicitly exempt from such measures. Article 144(1) of the Criminal Procedure Law further empowers people's procuratorates (prosecutors) and the Ministry of Public Security to inquire into and freeze a suspect's financial assets (eg, deposits, remittances, bonds, stocks and fund shares) based on investigative needs and in accordance with regulations, with mandatory cooperation required from relevant units and individuals, such as financial institutions. These provisions ensure that law enforcement can target a broad range of assets linked to money laundering criminal activities and law enforcement agencies have the reasonable discretion to determine investigative needs on a case by case basis.

The authority to freeze and seize assets is distributed across different stages of the criminal justice process and vested in multiple entities. During the investigation phase, the Ministry of Public Security and prosecutors can decide to implement these measures, as stipulated in article 144 of the Criminal Procedure Law, supplemented by article 2 of the Provisions on the Application of Seizure and Freezing Measures in the Handling of Criminal Cases by Public Security Organs, articles 227 and 237 of the Procedural Regulations for Public Security Organs Handling Criminal Cases (the Public Security Regulations), and articles 210 and 212 of the Criminal Procedure Rules of the People's Procuratorate (the Procuratorate Rules). In the trial phase, people's courts assume this authority under article 102 of the Criminal Procedure Law and articles 189, 341 342 of the Supreme People's Court Judicial Interpretation of the Criminal Procedure Law, enabling them to freeze or seize property in cases where an offender's actions or other reasons might hinder judgment enforcement, where illegal gains remain unrecovered or where it is deemed necessary for other reasons. This tiered structure ensures comprehensive asset control from investigation through prosecution to adjudication, providing a robust framework for securing case relevant assets at every judicial stage.

The scope of assets subject to freezing and seizure is precisely defined to focus on case-relevant assets. Seizure and detention, as outlined in article 227 of the Public Security Regulations and article 212 of the Procuratorate Rules, apply to tangible and intangible items such as real estate (land, houses), movable property (machines, equipment) and documents (emails, telegrams). Freezing targets financial assets, including deposits, remittances, securities trading settlement funds, futures margins, bonds, stocks, fund shares, equity, insurance policy rights and other investment interests. The assets that can be applied with freezing and seizure measures are restricted to proceeds of crime and their profits, assets

used in committing offences, illegally possessed contraband and other items that can prove the occurrence or severity of a crime. Irrelevant assets shall not be subject to the freezing or seizure measures, and if seized or frozen assets are later confirmed irrelevant, they must be released and returned within three days, with notification to affected parties. Additionally, law enforcement agencies must preserve essential living expenses and items for suspects, offenders and their dependents, while minimising disruption to involved entities' operations, balancing enforcement with limited protections.

Forfeiture

According to article 59 of the Criminal Law, forfeiture of assets refers to the confiscation of part or all of a convicted criminal's personal assets. When the entire property is confiscated, the necessary living expenses for the criminal and their dependents must be retained. When ordering property forfeiture, assets belonging to or legally entitled to the criminal's family members shall not be confiscated. Additionally, article 60 of the Criminal Law provides that before the forfeited property is executed, any lawful debts incurred by the criminal shall be repaid from the confiscated assets if the creditor requests repayment.

Disgorgement

Article 64 of the Criminal Law establishes the principle on how to dispose of the assets involved in crimes, thus providing that all money and assets illegally obtained by a criminal shall be recovered, or the criminal shall be ordered to return the assets or money to the victims, and the lawful assets of the victim shall be returned without delay; contrabands and possessions of the criminal that are used in the commission of the crime shall be confiscated. All the confiscated money and assets, as well as the fines, shall be turned over to the state treasury, and no one may misappropriate or privately dispose of them.

In practice, the ruling court shall specify in the judgement what money or assets shall be confiscated and what shall be returned to the victims on a case by case basis.

Victim compensation

Article 36 of the Criminal Law requires offenders to compensate victims for economic losses caused by their crimes and article 101 of the Criminal Procedure Law allows victims to file incidental civil actions during criminal proceedings or pursue separate civil lawsuits to seek damages for infringement of personal rights or property destruction.

Articles 18 and 36 of the National Compensation Law and the Supreme People's Court and Procuratorate Interpretation on Criminal Compensation Cases allow victims to seek state compensation if the authorities unlawfully freeze, seize or recover property.

Law stated - 1 April 2026

Limitation periods on money laundering prosecutions

What are the limitation periods governing money laundering prosecutions?

Limitation periods based on maximum statutory penalty

According to article 87 of the Criminal Law, the statute of limitations for prosecuting money laundering offences varies depending on the maximum statutory penalty applicable to a specific crime as shown in the table below.

Maximum statutory penalty	Limitation period
Less than five years' imprisonment	Five years
Five to 10 years' imprisonment (excluding 10 years)	10 years
10 years' imprisonment	15 years

Given that the base penalty for the money laundering crime is less than five years' imprisonment and the heavier penalty for serious circumstances is five to 10 years' (inclusive) imprisonment, the limitation period governing money laundering prosecutions should be ranged from 10 years to 15 years.

The limitation period starts from the date the criminal act ends; where the criminal act is committed several consecutive times, the limitation period shall start from the date the last criminal act ends. Subject to further discussions in the paragraph below, the limitation period can be extended or reset under specific circumstances.

Suspension and interruption of the limitation period

The Criminal Law provides mechanisms that can extend or reset the limitation period under specific circumstances:

- Interruption (article 88): for a criminal who escapes from investigation or trial after the prosecutor, the Ministry of Public Security or the state security organ dockets the case or a people's court accepts the case, the case will not be subject to the period of limitation for prosecution.
- New criminal acts (article 89): if the offender commits additional crimes (including new money laundering acts) during the limitation period, the clock resets for all related offences from the date of the most recent crime.

Law stated - 1 April 2026

Extraterritorial reach of money laundering law

Do the money laundering laws applicable in your jurisdiction have extraterritorial reach?

Article 12 of the AML Law has introduced a clause for its extra-territorial application, which provides that money laundering and terrorist financing activities outside the Chinese territory that endanger the sovereignty and security of China, infringe the legitimate rights and interests of Chinese citizens, legal persons and other organisations, or disrupt the financial

order within China shall be dealt with in accordance with the AML Law and relevant laws and regulations, and the legal liabilities shall be pursued accordingly.

Article 49 of the AML Law also imposes an obligation on offshore financial institutions that have opened correspondent bank accounts in China or have other close financial ties with China to cooperate with the investigations initiated by the Chinese law enforcement authorities on money laundering and terrorist financing activities in accordance with the principle of reciprocity or the consensus agreement with relevant countries. The violation of such obligation will subject the offshore financial institutions to various administrative actions, including, without limitation, monetary fines, prohibition from engaging in certain business and enlisting in black lists, as a result of which any entity and individual in China must take AML special preventive measures against such offshore financial institution.

In the course of implementing the AML Law, the relevant implementing rules provides a conflict rule. For instance, article14 of the Measures for the Supervision and Administration of Anti-money Laundering and Counter-Terrorism Financing of Financial Institutions (the Financial Institutions AML and CTF Measures) provides that financial institutions shall require their overseas branches and controlled subsidiaries to implement such Measures to the extent permitted by the laws of the host country or region; where the host country or region imposes more stringent requirements, such requirements shall prevail. Where the requirements of the Financial Institutions AML and CTF Measures are more stringent than those of the host country or region, but the laws of the host country or region prohibit or restrict overseas branches and controlled subsidiaries from implementing the Financial Institutions AML and CTF Measures, financial institutions shall adopt appropriate supplementary measures to address money laundering and terrorist financing risks and report the relevant circumstances to the PBoC. Article16 of the Social Organisations CTF Measures and article 37 of the Dealers AML Measures contain similar provisions with respect to the overseas branches and affiliated institutions of social organisations and Dealers.

In addition to the extraterritorial effect of the AML Law, the Criminal Law (therefore, the prosecution against and criminalisation of money laundering activities under the Criminal Law) has jurisdiction based on territory, nationality and protection principle. To be more specific:

- the Criminal Law shall be applicable to anyone who commits a crime within the Chinese territory, except as otherwise specifically provided by law, and the offence shall be deemed to have been committed within the Chinese territory if a criminal act or its consequence takes place within the Chinese territory;
- the Criminal Law shall be applicable to any Chinese citizen who commits a crime prescribed in the Criminal Law outside the Chinese territory; and
- the Criminal Law may be applicable to any foreigner who commits a crime outside the Chinese territory against the Chinese state or against Chinese citizens if the Criminal Law prescribes for that offence a minimum punishment of fixed-term imprisonment of not less than three years; however, this does not apply to a crime that is not punishable according to the laws of the place where it is committed.

Law stated - 1 April 2026

AML REQUIREMENTS FOR COVERED INSTITUTIONS AND INDIVIDUALS

Enforcement and regulation
Which government entities enforce the AML regime and regulate covered institutions and persons in your jurisdiction?

The following authorities enforce China's anti-money laundering (AML) regime and regulate covered obligors:

- The People's Bank of China (PBoC) – the central AML authority – formulates regulations, supervises financial institutions, monitors large-value transactions and suspicious transactions, investigates suspicious activities, and collaborates with offshore authorities and international organisations;
- Financial regulators:
    - the National Financial Regulatory Administration (NFRA) oversees AML compliance in the banking, insurance and trust sectors; and
    - the China Securities Regulatory Commission (CSRC) supervises the securities, funds and futures sectors;
- Industry regulators supervise the AML compliance of non-financial entities in their sectors;
- Judicial organs (ie, public security organs, people's prosecutorates and courts) investigate, prosecute and adjudicate money laundering crimes; and
- The AML Joint Conference, an inter-agency coordination mechanism led by the PBoC, brings together key ministries and regulators to coordinate national AML policies, enforcement and cooperation.

Law stated - 1 April 2026

Enforcement and regulation
Do the AML rules provide for ongoing and periodic assessments of covered institutions and persons?

The AML rules provide for the key ongoing and period assessment requirements applicable to covered obligors, which are set forth below.

Covered financial institutions

Regular risk evaluations

Article 27 of the AML Law and article 4 of the Measures for the Supervision and Administration of Anti-Money Laundering and Counter-Terrorism Financing of Financial Institutions (the Financial Institutions AML and CTF Measures) stipulate that covered financial institutions shall periodically assess their money laundering risk exposures and

establish corresponding risk management systems and processes, and also establish relevant information systems, as needed.

In addition, pursuant to article 30 of the AML Law and article 26 of the Financial Institutions Due Diligence and Client Identification Measures, financial institutions shall conduct ongoing monitoring during the course of a business relationship, continuously reviewing and assessing clients' overall profiles and transaction activities in order to understand and manage the money laundering and terrorist financing risks of their clients.

Self-assessment requirement

Article 7 of the Financial Institutions AML and CTF Measures requires financial institutions to establish, at the head office level, a self-assessment framework for money laundering and terrorist financing risks. Such self-assessments shall be conducted on a regular basis and submitted to the PBoC or its local branches within 10 working days after approval by the board of directors or senior management.

Further, article 27 of the Guidelines for Self-Assessment of Money Laundering Risks by Financial Institutions (the Financial Institutions Self-Assessment Guidelines) require financial institutions to conduct periodic institutional AML risk self-assessments. As a general rule, the interval between two self-assessments should not exceed 36 months. For institutions whose inherent or residual risks are assessed by regulators as higher or above, the interval should not exceed 24 months.

Financial institutions are also required to conduct ad hoc self-assessments promptly where any of the following circumstances arise:

- material changes in the economic or financial environment or AML legal and regulatory framework that significantly affect the institution's operating environment or AML obligations;
- material changes in beneficial ownership, actual controllers or business development strategies;
- significant changes to corporate governance or organisational structure;
- significant changes in internal or external risk conditions, including the occurrence of major money laundering risk events; or
- other circumstances where a risk assessment is deemed necessary.

Self-assessment reports should generally be submitted to senior management no later than six months after the relevant assessment date.

In addition, under the Financial Institutions Self-Assessment Guidelines, the scope of self-assessments shall cover money laundering risk, terrorist financing risk and the risk of evading targeted financial sanctions related to proliferation.

Assessments for the launch of new business and technology

The assessment on money laundering risks is mandatory for the launch of any new business, product or service, or the use of any new technology by covered obligors under article 36 of the AML Law, article 7 of the Financial Institutions AML and CTF Measures, and articles 15

and 35 of the Implementation Rules of the Regulations on Supervision and Administration of Non-Bank Payment Institutions. Covered financial institutions shall implement measures to reduce any risks flagged during the assessment.

In particular, article 28 of the Financial Institutions Self-Assessment Guidelines requires financial institutions to carry out targeted AML risk assessments before developing new product or business types, or applying new technologies (whether to existing or newly developed products) that may have a material impact on money laundering risk. Targeted risk assessments shall be jointly conducted by the departments responsible for managing the relevant changes and the lead AML function, completed prior to the implementation of such adjustments or changes and used to enhance or strengthen money laundering risk control measures to ensure that residual risks remain within the institution's risk appetite and management capacity. Following implementation, institutions are required to conduct ongoing monitoring and update the assessment results within six to 12 months based on actual risk developments.

Transaction monitoring standards assessments

Covered financial institutions are required to regularly assess their transaction monitoring standards and update them based on the assessment result in order to ensure effective monitoring of suspicious transactions.

Covered non-financial institutions

Specific non-financial institutions (eg, real estate agents, law firms, notary institutions, accounting firms, and dealers of precious metals and gemstones) that engage in covered activities shall also conduct periodic risk assessments and implement appropriate risk management measures. For law firms and dealers, the assessment cycle generally does not exceed three years. Assessments are required before introducing new products, services or technologies involving covered activities to mitigate related risks. For dealers, prompt reassessment is also required upon material changes in business activities or risk environment.

Law stated - 1 April 2026

Covered institutions and persons

Which institutions and persons must have AML measures in place?

Under the AML Law, the following covered institutions (ie, covered obligors) are obligated to have AML measures in place:

- Financial institutions established within the People's Republic of China (for the purposes of this chapter, excluding the Hong Kong and Macau Special Administrative Regions and Taiwan):
    - Financial institutions regulated by the NFRA, including banks, wealth management subsidiaries of banks, financial asset management companies, corporate group finance companies, financial leasing companies, auto finance companies, currency brokerage companies, consumer financing companies,

insurance institutions (including insurance companies or insurance group companies, insurance intermediaries and insurance brokers) and trust companies;

- Financial institutions regulated by the CSRC, including securities firms, fund management companies and futures companies;
- Financial institutions regulated by the PBoC, including non-bank payment institutions; and
- Other entities engaged in financial business as designated and announced by the PBoC.

- Specific non-financial institutions established within China:
  - Real estate development companies or real estate agencies providing housing sales, housing purchase and sale brokerage services;
  - Accounting firms, law firms and notary institutions that engage in covered activities for specific non-financial institutions;
  - Dealers engaged in the spot trading of precious metals and gemstones conducting cash transactions in the amount of 100,000 yuan or more (or the equivalent in foreign currency); and
  - Other institutions required to perform the AML obligations as jointly determined by the PBoC and the relevant State Council departments according to the status of money laundering risks.
- Any unit (including any legal person, unincorporated organisation, and their onshore and offshore branches) and natural person shall take AML special preventive measures. Except for the AML special preventive measures, entities other than those in the bullet points above and natural persons are not required to have AML measures in place.

Law stated - 1 April 2026

Covered institutions and persons

How do regulated and non-regulated sector AML obligations differ?

The AML obligations differ significantly between regulated sectors (primarily, financial institutions) and non-regulated sectors (primarily, specific non-financial industries newly included under the AML Law).

As a general regulatory principle, both covered financial institutions and covered non-financial institutions are required to adopt relevant AML prevention and control measures, establish sound internal control for AML and fulfil such other obligations as customer due diligence (CDD), preserve the identity materials of clients and the transaction records, report large-value transactions and suspicious transactions, and take special preventive measures against money laundering. However, the covered obligors in the regulated sectors (ie, covered financial institutions) are subject to more comprehensive, stringent and well-defined AML rules. Although certain profession-specific or industry-specific measures have also been issued for non-financial sectors (eg, notary

institutions, law firms, accounting firms, real estate agents and dealers), the overall regulatory framework applicable to them is less stringent. For instance, law firms and accounting firms are required to comply with the aforesaid obligations only when they engage in covered activities for specific non-financial institutions. For another instance, covered financial institutions face the most stringent beneficial owner identification rules and must verify the natural person behind the entity using a combination of the national database and independent verification, while covered non-financial institutions are often permitted to use a more simplified version of CDD – unless the transaction is flagged as high risk.

In addition, covered financial institutions are subject to more routine on-site inspections by the PBoC and much higher penalties compared to covered non-financial institutions (up to 5 million yuan for covered financial institutions and up to 500,000 yuan for covered non-financial institutions).

Law stated - 1 April 2026

Compliance

Do the AML laws applicable in your jurisdiction require covered institutions and persons to implement AML compliance programmes? What are the required elements of such programmes?

Yes, the AML Law requires covered obligors to implement AML compliance programmes. These requirements are primarily established under the AML Law and are further elaborated through regulations and guidelines issued by the PBoC and other relevant authorities. The required AML compliance programmes include the main elements outlined below.

AML internal control

All covered obligors, including covered financial institutions, dealers, real estate agents, law firms, accounting firms and notary institutions, are required to establish AML internal control systems tailored to their risk profiles and business scales. This mandate involves designating specific internal departments or dedicated personnel to lead and oversee AML work.

CDD

Covered financial institutions

Pursuant to article 29 of the AML Law, in any of the following circumstances, covered financial institutions shall conduct risk-based CDD upon their clients:

- when establishing a business relationship with a client or providing the client with one-off financial service above a prescribed amount;
- when having reasonable grounds to suspect that the client or its transaction is involved in money laundering; or
- when having any doubt as to the authenticity, validity or completeness of the client's identity materials previously obtained.

Covered financial institutions are required to understand the purpose and nature of the business relationship, and identify the beneficial owners of accounts or transactions. Enhanced due diligence (EDD) is mandatory for high-risk clients, such as politically exposed persons (PEP), or transactions involving high-risk jurisdictions, and the due diligence can be simplified where the risk is low. Where a client acts through a representative, the covered financial institution shall verify the agency relationship and identify, and verify the identity of the representative. If CDD is conducted through a third party, the financial institution shall assess the third party's risk profile and its ability to fulfil AML obligations, and CDD cannot be conducted through such third party that is relatively high risk or is not capable of fulfilling the AML obligations.

Covered non-financial institutions

Generally, the circumstances in which covered non-financial institutions are required to conduct CDD and EDD are similar to those applicable to covered financial institutions. CDD shall generally be completed before the establishment or completion of the engagement or transaction, with ongoing monitoring required for long-term relationships to ensure updates to client identity information, risk profile and business activities.

Record keeping

Article 34 of the AML Law stipulates the minimum retention period for client identification data and transaction information is 10 years.

Transaction monitoring and reporting

According to the Large-Value and Suspicious Transactions Reporting Measures, covered financial institutions shall continuously monitor transactions to detect suspicious activities or patterns that may indicate money laundering or terrorism financing. Large-value transactions (eg, single or cumulative cash transactions exceeding 50,000 yuan or foreign currency equivalents in a single day) and suspicious transactions shall be reported to the AML Monitoring and Analysis Center within five working days from the date the large-value transaction occurs or from the date the transaction is confirmed as suspicious in accordance with the institution's internal suspicious transaction reporting procedures.

All covered non-financial institutions are required to promptly submit suspicious transaction reports (STRs) to the AML Monitoring and Analysis Center, either directly or through designated industry-specific channels where applicable. Accounting firms shall submit STRs via the Chinese Institute of Certified Public Accountants (CPA) through the unified CPA reporting platform, while notary institutions shall submit STRs via the China Notary Association through electronic submission systems. Law firms, real estate agents and dealers shall submit STRs directly to the AML Monitoring and Analysis Center. STRs shall be submitted promptly upon identification of suspicious activities. This includes, without limitation, situations involving client non-cooperation with CDD, inability to complete due diligence or circumstances giving rise to tipping-off risks. The reporting obligation applies regardless of the transaction amount and irrespective of whether the relevant services are ultimately provided, refused or terminated.

In addition, dealers shall report single or cumulative daily cash transactions of 100,000 yuan or more (or the equivalent in foreign currency). Such reports shall be submitted within five business days from the date of the relevant transaction.

Audits

Covered financial institutions are required to ensure that AML controls are effectively implemented through internal or third-party audits. Covered non-financial institutions (eg, law firms, notary institutions, accounting firms, real estate agents and dealers) shall determine the scope and frequency of AML audits based on their risk profile. Law firms, real estate agents and dealers may integrate contents aligned with money laundering risk management needs into internal audits, inspections, or external or social audits.

Staff training

Covered financial institutions shall allocate sufficient personnel based on the institution's business scale and money laundering risk profile, and conduct AML training and awareness programmes as required. Covered non-financial institutions shall also actively organise AML education and training programmes.

AML special preventive measures

Any unit and natural person, including any covered obligor, shall apply AML special preventive measures to the entities and individuals listed in the following lists:

- the list of terrorist organisations and individuals identified by the National Leading Group for Counter-Terrorism and announced by its Office;
- the lists of organisations and individuals subject to targeted financial sanctions as set out in the notices issued by the Ministry of Foreign Affairs for the implementation of United Nations Security Council resolutions; and
- the lists of organisations and individuals identified by the PBoC, or jointly identified by the PBoC together with relevant state authorities, as posing significant money laundering risks where failure to take measures may result in serious consequences.

The AML special preventive measures include immediately ceasing to provide financial or other services, or funds or assets, to the listed entities and individuals and their agents, organisations and individuals acting at their direction, and organisations directly or indirectly controlled by them, as well as immediately restricting the transfer of related funds or assets.

AML and CTF information systems

Covered financial institutions shall establish and improve AML and CTF information systems that shall satisfy the following requirements:

- cover all types of business activities of the institution;
- promptly, accurately and comprehensively capture relevant client and transaction information; and
-

fully and appropriately utilise digital and intelligent technologies to effectively support the institution's performance of AML obligations, including CDD, retention of client identification information and transaction records, reporting of large-value and suspicious transactions, and implementation of AML special preventive measures, as well as to facilitate AML supervision, inspections and investigations.

Law stated - 1 April 2026

Breach of AML requirements

What constitutes breach of AML duties imposed by the law?

The failure to comply with any obligation imposed by the law will constitute a breach of AML duties. Set forth below are the typical circumstances that constitute a breach of AML duties:

- Failure to conduct CDD: inadequate verification of client identities, beneficial owner or risk profiles, especially for high-risk clients (eg, foreign PEPs);
- Non-reporting of suspicious transactions: not submitting reports for large or suspicious transactions to competent authorities (including the PBoC);
- Weak internal controls and risk management: absence of dedicated AML departments, insufficient staff training or outdated risk assessments;
- Non-compliance with investigations: refusing to cooperate with the AML authorities during inspections;
- Unauthorised cross-border data sharing: sharing CDD data with foreign entities without approval from the Chinese authorities;
- Record-keeping violations: failing to retain client identity or transaction records for the mandated period; and
- Failure to implement AML special preventive measures as required: failing to take AML special preventive measures against designated persons or entities in accordance with the AML Preventive Measures, such as failing to promptly cease providing financial or other relevant services to such persons or entities, or failing to restrict, freeze or otherwise control the transfer of related funds or assets.

Law stated - 1 April 2026

Breach of AML requirements

Can a covered institution or person request consent from an authority to perform a transaction that would otherwise be a criminal offence?

There is no such express exemption under written rules in China. Article 16 of the Criminal Procedural Law provides that no criminal responsibility shall be investigated if an act is obviously minor, causing no serious harm, and is therefore not deemed a crime; but this is determined at the sole discretion of the judicial organs and there is no prior consent available to perform the said transaction.

Law stated - 1 April 2026

Customer and business partner due diligence

Describe due diligence requirements in your jurisdiction's AML regime.

Applicable scenarios for CDD

The covered obligors shall conduct CDD in the following circumstances:

- when they establish a business relationship with a client or provide a client with one-off financial service above a prescribed amount;
- when they have reasonable grounds to suspect that the client or its transaction is involved in money laundering; or
- when they have any doubt as to the authenticity, validity or completeness of the client's identity materials previously obtained.

All entities and individuals shall cooperate with the reasonable CDD measures undertaken by the covered obligors.

Risk-based CDD

Covered obligors are required to adopt a risk-based approach during CDD, and they shall identify and take reasonable measures to verify the identity of their clients and the clients' beneficial owners, understand the purpose of the business relationships and transactions, and, for high-risk transactions, assess the source and intended use of the relevant funds. For lower-risk transactions, simplified CDD is permitted.

When a client conducts business through an agent, the covered obligor is required to verify the agency relationship and identify, and verify the agent's identity.

When entering into contracts, such as life insurance or trust agreements, where the beneficiary is not the client, the covered obligor must identify and verify the identity of the ultimate beneficiary.

Collaboration in CDD

The covered obligors may collaborate with the public security organs and business registration authorities, as well as other regulatory bodies such as civil affairs, taxation, immigration and telecommunications departments to enhance cooperation and information sharing during the CDD process.

While the AML Law permits covered obligors to engage third-party service providers to conduct CDD, covered obligors shall assess the risk profile of such providers and their capability to fulfil AML obligations. If a third-party service provider is deemed high risk or lacks the necessary capacity to perform AML duties or implement relevant CDD measures, the covered obligors shall refrain from using such provider for CDD. The AML Law has also emphasised that the covered obligors remain responsible for the CDD conducted by third-party service providers engaged by them.

Continuous monitoring

The AML Law clarifies the obligations of covered obligors to continuously monitor clients and their transactions. Throughout the duration of a business relationship, covered obligors are required to constantly assess the overall status of their clients and transactions, and understand the associated money laundering risks.

Risk management measures for suspicious transactions

For suspicious transactions, covered obligors may implement risk management measures based on their clients' money laundering risk profiles and the necessity to mitigate such risks. These measures may include: ongoing monitoring and verification of clients and their transactions; restricting transaction methods, amounts or frequency; limiting the types of business; refusing to process transactions; or terminating the business relationship.

Law stated - 1 April 2026

High-risk categories of customers, business partners and transactions

Do the AML rules applicable in your jurisdiction require that covered institutions and persons conduct risk-based analyses? Which high-risk categories are specified? What level of due diligence is expected in relation to customers assessed to be high risk?

Yes, articles 30 and 42 of the AML Law stipulate that the covered obligors shall continuously monitor and assess the clients' overall status and transaction activities throughout the cycle of business relationship to understand their money laundering risks; and for high-risk situations, the covered obligors shall implement risk management measures such as restricting the methods, amounts or frequencies of transactions, restricting business types, rejecting handling of transactions, or even terminating business relationships when necessary.

The Financial Institutions Due Diligence and Client Identification Measures, the Dealers AML Measures, the Real Estate Agents Measures, the Notary Institutions AML Measures, the Law Firms AML Measures and the Accounting Firms AML Measures provide a general framework for identifying high-risk clients and transactions and adopting corresponding EDD measures. Covered obligors may also refer to these rules for practical guidance.

Common types of high-risk clients or transactions include the following:

- Clients or their beneficial owners being foreign PEPs, senior management members of international organisations or specific related person of such persons: article 33 of the Financial Institutions Due Diligence and Client Identification Measures clarifies the meaning of 'foreign PEPs', which include but is not limited to persons, whether currently in office or formerly so, who are or have been entrusted with prominent public functions in a foreign country, such as heads of state, heads of government, senior politicians, senior government, judicial or military officials, senior executives of state-owned enterprises and important political party officials. Specific related persons of foreign PEPs or senior management of international organisations include their parents, spouses, children and other close relatives, as well as other natural persons who have a common interest relationship with them through work and life;

and where the client or its beneficial owner is a foreign PEP, the covered obligors shall take measures to understand the source and purpose of the client's or beneficial owner's funds or assets. Establishing or maintaining the business relationship with such clients shall require senior management approval, and enhanced ongoing monitoring measures shall be applied to the client and the business relationship. Where the client or its beneficial owner is a senior management of an international organisation or a specific related person, covered obligors shall apply the same measures in situations where the risk is considered high.

- Clients with complex ownership or control structures: where the ownership or control structure involves offshore shareholdings and the relevant registration information cannot be readily verified, or where there are complex or opaque arrangements (eg, circular or cross-shareholdings), or contractual control or nominee arrangements; frequent changes in legal representatives, senior management or beneficial owners without reasonable justification.
- Clients/transactions from high-risk jurisdictions: where clients or transactions originate from high-risk jurisdictions for AML/CTF (primarily the high-risk and other monitored jurisdictions identified by the Financial Action Task Force), the covered obligors shall adopt EDD and implement appropriate risk management measures based on the risk profile of the business relationship and transaction. For clients from jurisdictions under enhanced monitoring, covered obligors shall take the jurisdictional risk into account when conducting CDD and assigning the client's risk rating.
- Clients whose previously obtained beneficial owner information is doubtful: discrepancies in beneficial owner, inconsistencies in key identity information or material inconsistencies in ownership rights.
- Industry-specific high-risk clients: some financial industry regulators have also, based the general framework above, further clarified the scope of high-risk clients in industry-specific rules, such as article 13 of the Anti-Money Laundering Guidelines for Securities Firms and article 26 of the Guidelines for the Assessment of Money Laundering and Terrorist Financing Risks and Categorised Management of Clients of Insurance Institutions.

Common types of EDD measures include the following:

- Obtaining relevant information on the business relationship, the purpose and nature of the transaction, and the source and use of funds; where necessary, requiring the client to provide supporting documents and verifying them;
- Understanding the client's financial condition or business operations through on-site visits or other means;
- Enhancing monitoring and analysis of the client and their transactions;
- Strengthening the review of information on the client and their beneficial owners; and
- Obtaining senior management approval when establishing or maintaining a business relationship with the client, or when conducting business on behalf of the client.

After implementing EDD measures, if the covered obligor needs to conduct risk management on the client's money laundering or terrorist financing risk, it may impose reasonable restrictions on the client's transaction methods, transaction amounts, transaction frequency

or types of business conducted. Where the covered obligor considers the client's money laundering or terrorist financing risk to exceed its risk management capability, it shall either refuse to provide services or terminate the existing business relationship.

Law stated - 1 April 2026

Record-keeping and reporting requirements

Describe the record-keeping requirements for covered institutions and persons.

Client identity data and transaction records subject to record-keeping requirements

Article 34 of the AML Law requires that covered obligors establish a system for maintaining client identity information and transaction records. For the purposes of maintaining client identity information, this shall include all documents, records and data relating to a client's identity and its beneficial owner information, as well as documentation evidencing the CDD process. Such materials include, without limitation, identification documents, account opening or engagement letters, and other client-related records generated during the establishment and ongoing management of the business relationship.

In addition, covered obligors shall retain comprehensive transaction records that accurately reflect the true nature of each transaction. Depending on the type of institution, such records may include contracts, invoices, payment vouchers, accounting books, correspondence, property sale and purchase agreements, brokerage documents, legal instruments, suspicious transaction reports and any other supporting materials necessary to substantiate the transaction.

Record-keeping period

Under the AML Law, covered obligors shall retain client identity information and transaction records for at least 10 years after the business relationship ends or a transaction is completed. During the term of a business relationship, covered obligors should update promptly if there is any change to the client identity information.

Notably, according to article 44 of the Financial Institutions Due Diligence and Client Identification Measures, if any client identity information or transaction record is involved in a suspicious transaction activity that is subject to an AML investigation, and such investigation is not closed as of the end of the aforementioned record-keeping period, the covered financial institution shall maintain such data until the end of the relevant investigation.

When a covered obligor is dissolved, revoked or declared bankrupt, it shall transfer its client identity information and transaction records to the institution designated by the relevant department of the State Council of China.

Duty to safeguard client identity data and transaction records

Article 43 of the Financial Institutions Due Diligence and Client Identification Measures requires the covered financial institutions to adopt necessary management and technical

measures to gradually realise the complete and accurate preservation of client identity information and transaction information by electronic means, protect trade secrets and personal information in accordance with law, prevent the loss or destruction of client identity information and transaction records, and prevent the leakage of client identity information and transaction information. Furthermore, article 43 of the Financial Institutions Due Diligence and Client Identification Measures requires that the covered financial institution shall keep and manage its clients' identity information and transaction records in a manner sufficient to reconstruct and trace each transaction, and provide all CDD information and transaction records to the regulatory authorities and law enforcement agencies after appropriate authorisation.

Covered financial institutions shall also take practical and effective measures to retain client identity information and transaction records in a manner that facilitates AML investigations and regulatory supervision, as such data is an important source for access and investigation under article 44 of the AML Law.

For covered non-financial institutions, article 19 of the Notary Institutions AML Measures and article 21 of Law Firms AML Measures provide that notary institutions and law firms shall, respectively, retain and maintain relevant records in accordance with the applicable rules on the management of notarial archives and lawyers' practice files.

Law stated - 1 April 2026

Record-keeping and reporting requirements

Describe any reporting requirements for suspicious activity for covered institutions and persons.

Covered financial institutions

Functions of the AML Monitoring and Analysis Center

In China, the AML Monitoring and Analysis Center, as part of the Financial Investigation Unit, is directly led by the PBoC and is responsible for collecting and analysing suspicious transaction reports submitted by covered obligors, submitting analyses and reporting related work progress to the PBoC. The Center may also require covered obligors to provide supplemental information related to suspicious transactions, although it does not have law enforcement powers.

Scenarios triggering suspicious transaction report submission

The Large-Value and Suspicious Transactions Reporting Measures provide that suspicious transaction reports shall be submitted if covered financial institutions identify or has rationale to suspect that any client, funds/assets of any client, transactions or intended transactions of any client are related to AML or counter terrorist financing activities, regardless of the amount of funds involved or asset value.

Covered financial institutions shall formulate transaction monitoring standards for themselves, such monitoring standards including but not limited to the identity and activities of clients, source of funds, amount, frequency, fund flows, nature and other abnormal scenarios of transactions.

Time restraints on suspicious transaction reports

The Large-Value and Suspicious Transactions Reporting Measures mandate that suspicious transaction reports be electronically submitted to the AML Monitoring and Analysis Center by the covered financial institutions no later than five working days after the transaction is determined to be a suspicious transaction in accordance with the covered financial institutions' internal procures regarding suspicious transaction reports.

Covered non- financial institutions

Covered non-financial institutions are required to promptly file a suspicious transaction report upon the occurrence of trigger events.

Law stated - 1 April 2026

Privacy laws

Describe any privacy laws that affect record-keeping requirements, due diligence efforts and information sharing.

Record keeping

Article 19 of the Personal Information Protection Law (PIPL) provides that the retention period of personal information shall be as minimal as necessary to achieve the purpose of processing such personal information, unless otherwise provided by the laws and administrative regulations. Accordingly, the record-keeping requirement under the AML Law shall not be affected by the minimum retention period requirement under the PIPL.

Due diligence

The PIPL imposes many obligations in relation to the processing of personal information that covered obligors need to comply with, even for the purpose of carrying out CDD as required under the AML Law. For example, as part of the client identity information may fall into the scope of 'sensitive personal information' under the PIPL, covered obligors will need to inform the relevant individuals of the necessity for processing their sensitive personal information and effects on their individual rights, but do not need to obtain consent from the clients. Covered obligors will also need to conduct a personal information protection impact assessment prior to processing of sensitive personal information.

Information sharing

Sharing of AML-related important data and personal information, if permitted, shall comply with relevant provisions under Chinese laws. Therefore, covered obligors will still need to follow the required formalities and procedures for the cross-border transfer of important data and personal information under other applicable laws when providing such data constituting part of AML-related information to offshore regulators. The main required formalities and procedures include (1) a security assessment by the Cyberspace Administration of China (CAC) for the cross-border transfer of important data, (2) the filing with the CAC of a standard contract for cross-border transfer of personal information, and (3) an application for personal information protection certification with the CAC.

Law stated - 1 April 2026

Privacy laws

Does the law permit covered institutions and persons to share records or other information with (domestic or foreign) law enforcement and regulators, FIUs or other covered institutions and persons?

Domestic law enforcement and regulators and FIUs

According to articles 16 and 43 of the AML Law, covered obligors are required to share records and other relevant information with the AML administrative authority and the financial investigation unit (FIU) (ie, the PBoC and its local branches, and the AML Monitoring and Analysis Center); the AML enforcement authorities and the FIU may issue investigation notices to covered obligors, requiring them to cooperate with AML investigations, and provide relevant documents and materials within the prescribed time frame.

Foreign law enforcement and regulators and FIUs

Article 50 of the AML Law provides that where the covered financial institutions are requested by foreign countries or associations to provide client identification data or transaction information, or to seize, freeze or transfer domestic funds or assets, or to take any other action, which is not in accordance with the principle of reciprocity or consensus agreement with China, the covered financial institutions must refrain from acting on the requests of foreign countries or associations and report to the relevant financial administrative department of the State Council promptly; that said, where a foreign countriy or association, for legitimate regulatory purposes, requests general compliance or operational information, covered financial institutions will be permitted to provide such information after reporting to the financial administrative department of the State Council and other competent Chinese authorities. Thus, covered financial institutions must not share any AML-related records or other information with such foreign law enforcement and regulators or FIUs that request for records or information not in accordance with the principle of reciprocity or consensus agreement with China, and they must fulfil their prior reporting obligation to relevant financial administrative department before they share general compliance or operational information.

Covered non-financial institutions are not expressly subject to the aforementioned sharing restriction; however, given the general prohibition under article 7 of the AML Law that, unless otherwise provided by law, any AML-related information shall not be shared with any entity

or individual, covered non-financial institutions also cannot share AML-related information with foreign law enforcement and regulators and FIUs unless approved by the PBoC and competent industry regulators.

Without prejudice to the above restrictions, where the records or information to be shared with foreign law enforcement and regulators and FIUs contain any personal information or important data, such sharing will be further subject to required formalities and procedures for the cross-border transfer of important data and personal information under other applicable laws.

Other covered institutions and persons

Given the general prohibition under article 7 of the AML Law, unless otherwise provided by law, any AML-related information shall not be shared with any entity or individual, including other covered obligors.

That said, article 37 of the AML Law provides an exception that covered financial institutions that have branches or holdings in other financial institutions at home and abroad, as well as financial holding companies, shall coordinate AML work at the head office or group level, and where they share AML-related records and other information within the group, the following conditions must be satisfied:

- They have established clear mechanisms and procedures for information sharing;
- The information must be shared in compliance with relevant data protection laws; and
- The information shared within the group must be used solely for AML purposes.

Law stated - 1 April 2026

Resolutions and sanctions

What is the range of outcomes in AML controversies?

The range of outcomes in AML controversies varies depending on the severity of the breach, the nature of the entity involved and the enforcement authority's findings. Typical outcomes include the following:

- Administrative penalties: regulatory authorities may impose warnings, fines, orders for rectification, business restrictions, or even suspension or revocation of licences. For instance, covered financial institutions may face fines up to 5 million yuan, while non-financial institutions could be fined up to 500,000 yuan. In more severe cases, where criminal proceeds or terrorist financing are involved, fines can escalate to up to 10 million yuan or up to twice the amount of the criminal proceeds.
- Criminal liability: if the conduct involves or facilitates money laundering or related crimes, individuals and institutions may be subject to criminal investigation, prosecution and sentencing.
- Civil liability: entities may be held liable for losses caused to clients or third parties due to AML violations, leading to compensation claims or lawsuits.

Resolutions and sanctions

What are the possible sanctions for breach of AML laws?

In China, breaches of AML laws can result in administrative penalties and criminal liabilities. The civil liabilities are discussed in a separate section of this chapter.

Scope of breaches that trigger administrative penalties

The failure to comply with the AML obligations imposed under the AML Law would constitute a breach and be subject to administrative penalties. Typical breaches include the following:

- Failure to establish or improve internal AML control systems; failure to set up dedicated AML departments in charge of AML work; inadequate staffing; failure to conduct money laundering risk assessments or to establish appropriate risk management measures; lack of monitoring standards for suspicious transactions; failure to conduct internal or external AML audits as required; failure to carry out AML training as required; failure to establish AML-related information systems, or failure to properly maintain such systems, as required; failure of responsible personnel to effectively perform AML duties (article 52 of the AML Law).
- Failure to formulate or improve internal control measures for AML special preventive measures (article 26 of the AML Preventive Measures).
- Failure to conduct CDD and retain client identification information and transaction records; or failure to report large-value and suspicious transactions as required by law (article 53 of the AML Law).
- Breaches related to beneficial owner identification and verification include: (1) evidence, data or information relied upon to identify and verify the beneficial owner is clearly insufficient or unreliable; (2) the rationale for identifying and verifying the beneficial owner is obviously unreasonable; (3) failure to review or update the beneficial owner information during the course of the client relationship as required; (4) where circumstances stipulated in article 20 of the Financial Institutions Beneficial Ownership Identification Measures arise (eg, specific risks exist, client ownership or control structures are complex or unusually changed, the authenticity or reliability of the beneficial owner information is doubtful, or there is reasonable suspicion of money laundering or terrorist financing), but the corresponding enhanced measures required under article 21(1) of the Financial Institutions Beneficial Ownership Identification Measures are not taken, or the measures taken are clearly unreasonable; (5) failure to verify the identified beneficial owner information against the beneficial owner registration information stored in the beneficial owner information management system as required; (6) failure to complete the beneficial owner identification and verification within the prescribed time frame; (7) any other violation of beneficial owner identification and verification requirements; (8) failure to carry out or effectively conduct beneficial identification and verification work; (9) taking simplified or exemption measures for beneficial owner identification that are clearly inconsistent with the risk profile; (10) committing violations as set out in aforementioned items (1)–(7), which, considering factors such

as the institution's size, diligence, harm caused and rectification efforts, are deemed serious; (11) for clients presenting money laundering or terrorist financing risks, failure to adopt the corresponding money laundering risk management measures as required, or implementing measures that are clearly inappropriate as required under articles 21(2) and 22 of the Financial Institutions Beneficial Ownership Identification Measures; (12) errors in fulfilling the differential feedback obligation as specified in article 35 of the Financial Institutions Beneficial Ownership Identification Measures; and (13) failure to submit beneficial owner information to the registration authority as required; submitting false or inaccurate beneficial owner information; or failing to timely update beneficial owner information as required (articles 32, 33, 34 and 35 of the Financial Institutions Beneficial Ownership Identification Measures) (article 60 of the AML Law).

- Providing services to clients whose identity is unknown, conducting transactions with such clients, opening anonymous or fictitious accounts, or opening accounts for clients impersonating others; failure to adopt appropriate money laundering risk management measures in high-risk situations as required; failure to implement AML special preventive measures as required; violating confidentiality rules by enquiring into or disclosing relevant information; refusing or obstructing AML supervision, management or investigations, or deliberately providing false materials; altering, falsifying or unjustifiably deleting client identification information or transaction records; or intentionally evading AML obligations, either independently or in collusion with clients – for example, through transaction structuring (article 54 of the AML Law).

Type and scope of administrative penalties

Depending on the specific breach and its severity, the PBoC and its local branches or competent industry regulators may impose the following administrative penalties: monetary fines (5 million yuan for covered financial institutions and up to 500,000 yuan for covered non-financial institutions), warnings, orders to correct within a specific time, and orders or advice to the relevant financial regulatory authorities to restrict or prohibit the covered financial institutions from conducting business.

Notably, where the breach by the covered financial institutions result in the concealment of criminal proceeds or terrorist financing through such covered financial institutions, the monetary fines applicable to such covered financial institutions shall be escalated to up to 10 million yuan (if the relevant criminal proceeds is less than 10 million yuan) or up to twice the amount of relevant criminal proceeds (if the relevant criminal proceeds is more than 10 million yuan), and such financial institutions can be ordered to suspend business for rectification or have their business licence revoked.

Administrative penalties for directly responsible individuals

The individuals of covered financial institutions directly responsible for AML violations, including directors, supervisors, senior management and other directly responsible personnel, may face fines, warnings, disqualification from holding relevant positions or even bans from working in the financial industry in severe cases. Individuals who can demonstrate due diligence and good faith compliance efforts may be exempted from liability.

Responsible persons of covered non-financial institutions violating the AML Law may be given warning or a fine up to 50,000 yuan.

Criminal liabilities

Where any breach of AML rules constitutes a crime, it shall be subject to criminal liability applicable to such crime under the Criminal Law. For example, where a covered obligor knowingly and intentionally assists in the disguise or concealment of the source or nature of criminal proceeds generated from predicate offences, such covered obligor would be deemed to commit a money laundering crime and be prosecuted pursuant to the Criminal Law.

Law stated - 1 April 2026

Limitation periods for AML enforcement

What are the limitation periods governing AML matters?

According to article 36 of the Administrative Penalties Law, no administrative penalty shall be imposed for a violation of AML laws that has not been discovered within two years; where such violation involves financial security and has harmful consequences, the aforesaid time period shall be extended to five years, except as otherwise prescribed by law. The time period shall be counted from the date on which the AML violation is committed; if the violation is of a continual or continuous nature, it shall be counted from the date on which the violation ended.

Law stated - 1 April 2026

Extraterritoriality

Do your jurisdiction's AML laws have extraterritorial reach?

Yes, the AML laws in China have extraterritorial reach. According to article 12 of the AML Law, money laundering and terrorist financing activities outside China that affect its sovereignty, security or financial order, or infringe upon the rights of its citizens or organisations, are subject to the AML Law and relevant regulations. Additionally, article 49 of the AML Law requires offshore financial institutions with ties to China, such as correspondent bank accounts in China, to cooperate with Chinese investigations on money laundering and terrorist financing activities. Violations may result in various administrative penalties like fines, business restrictions and being blacklisted.

Law stated - 1 April 2026

CIVIL CLAIMS

Procedure

Enumerate and describe the required elements of a civil claim or private right of action against money launderers and covered institutions and persons in breach of AML laws.

Neither the Anti-Money Laundering Law (AML Law) nor other relevant AML rules explicitly provide for the required elements of a civil claim or private right of action against money launderers or covered obligors in breach of AML laws. Instead, the claimant will need to establish general tort liability against money launderers and covered obligors in breach of AML laws pursuant to article 1165 of the Civil Code and the following elements generally shall be satisfied:

- The relevant money launderers and covered obligors are at fault;
- The claimant's civil rights and interests have been infringed;
- The claimant has suffered actual losses; and
- The actual losses can be proved to be caused by the breach of the relevant money launderers and covered obligors.

Law stated - 1 April 2026

Procedure
What is the limitation period on a civil claim?

Three years. According to article 188 of the Civil Code, the limitation period begins when the claimant (plaintiff) becomes aware or reasonably should have become aware of the infringement of their rights and the identity of the opposing party. Additionally, Chinese law imposes a long-stop limitation, which bars any claim from being brought to court more than 20 years after the event that gave rise to the claim, unless there are special circumstances in which the court may extend the limitation period upon the claimant's application.

Law stated - 1 April 2026

Damages
How are damages calculated?

Chinese law does not provide separate provisions for calculating damages in AML civil claims and the general rules outlined in article 1184 of the Civil Code shall apply. In case of infringement upon another person's property, the value of the property loss shall be calculated according to the market price when the loss is incurred or by other reasonable means. The damages arising from the breach of AML rules, such as the suffering of loss, should be calculated according to such general rule.

In practice, AML civil claims are rarely brought against money launderers or covered obligors, so there is no established practice for the calculation of damages for AML civil claims; the actual calculation of damages will be subject to the discretion of each competent court on a case by case basis.

Law stated - 1 April 2026

Other remedies

What other remedies may be awarded to successful claimants?

Pursuant to article 1167 of the Civil Code, the claimant is entitled to request the wrongdoer to stop the infringement, remove the obstruction and eliminate the danger, if an act of infringement endangers such claimant's property safety. Each competent court reserves discretion in awarding one or more of these remedies.

Law stated - 1 April 2026

INTERNATIONAL MONEY LAUNDERING EFFORTS

Supranational

List your jurisdiction's memberships of supranational organisations that address money laundering.

China has become a member of the following supranational organisations that address money laundering:

- Financial Action Task Force (FATF): China became a formal member of the FATF in June 2007 for the purpose of wider participation in anti-money laundering (AML) international cooperation.
- Asia/Pacific Group on Money Laundering (APG): China reclaimed legal status in the APG in July 2009 and has since become a significant member.
- Eurasian Group on Combating Money Laundering and Financing of Terrorism (EAG): China jointly established the EAG in December 2004 with five other countries, which represented a pivotal step for China's entrance onto the AML international stage.

Law stated - 1 April 2026

Anti-money laundering assessments

Give details of any assessments of your jurisdiction's money laundering regime conducted by virtue of your membership of supranational organisations.

In 2019, the FATF, EAG and APG jointly conducted the fourth Mutual Evaluation on China to assess the effectiveness of China's measures to combat money laundering and terrorist financing and their compliance with the FATF 40 Recommendations. The report in 2019 concluded that China has a strong understanding of the money laundering and terrorist financing risks it faces, but it should focus more on the laundering of criminal proceeds and broaden the scope of sources used for its national risk assessment. Since then, China has submitted three follow-up reports to the FATF in 2020, 2021 and 2022 on its actions taken to strengthen its AML framework. Some of China's ratings with respect to the FATF Recommendations have improved in the follow-up reports, such as Recommendation 7 on targeted financial sanctions related to proliferation and Recommendation 24 on transparency and beneficial owners of legal persons. China is now compliant with nine

FATF Recommendations, largely compliant with 22, partially compliant with five and non-compliant with only four .

Based on the timeline on the next round of mutual evaluations issued on the FATF's official website, the fifth FATF Mutual Evaluation on China is expected to be conducted from June 2026 and the assessment body is expected to consist of the FATF, the APG and the EAG.

Officials of the People's Bank of China (PBoC) and the AML Monitoring Analysis Center set a goal of comprehensively prepare for the fifth Mutual Evaluation during the PBoC AML Work Conference held on 1 April 2025. This will help build an AML system aligned with international advanced standards.

Law stated - 1 April 2026

FIUs

Give details of your jurisdiction's Financial Intelligence Unit (FIU).

China has a decentralised FIU structure, which consists of the AML Monitoring and Analysis Center, the Anti-Money Laundering Bureau (AMLB) and 36 provincial branches of the PBoC.

AML Monitoring and Analysis Center

As part of the Chinese government's commitment to implement related UN conventions, and based on recommendations developed by the FATF and taking into account the Chinese context, the AML Monitoring and Analysis Center was established in 2004 as an administrative FIU under the PBoC, responsible for collecting, analysing and disseminating financial intelligence.

Article 16 of the Anti-Money Laundering Law (AML Law) provides that the PBoC shall set up the Center to carry out anti-money laundering fund monitoring, to take charge of receiving and analysing the reports of large-value transactions and suspicious transactions, to refer the analysis results, to report the relevant information to the PBoC as required and to fulfil other duties as prescribed by the PBoC.

The Center thus becomes an important legal entity within the Chinese AML framework. Ever since its establishment, the Center has been playing a significant role in AML and has provided powerful financial intelligence support to law enforcement agencies against money laundering and other relevant crimes.

AMLB

The AMLB is responsible for consolidating and analysing information on suspicious payment transactions in yuan or foreign currencies provided by various sources and assisting the judiciary departments with investigations into money laundering-related criminal cases.

PBoC provincial branches

According to articles 22 and 43 of the AML Law, provincial branches of the PBoC are mandated with power to investigate and/or verify suspicious transactions or other activities

in violation of the AML Law, by taking supervisory and investigative measures such as on-site checks and inquiry into covered obligors' personnel.

Law stated - 1 April 2026

Mutual legal assistance

In which circumstances will your jurisdiction provide mutual legal assistance with respect to money laundering investigations? What are your jurisdiction's policies and procedures with respect to requests from foreign countries for identifying, freezing and seizing assets?

Mutual assistance between onshore and offshore regulators

Articles 46 to 48 of the AML Law outline China's general framework for mutual legal assistance in AML matters. China engages in international AML cooperation pursuant to international treaties it has concluded or acceded to, or based on the principle of equality and reciprocity. The PBoC, as authorised by the State Council, is responsible for organising and coordinating international AML cooperation, representing the Chinese government in relevant international organisations, and facilitating AML cooperation and information exchange with foreign institutions in accordance with the law. Other relevant state authorities also participate in international AML cooperation within their respective mandates.

Notably, judicial assistance in relation to money laundering crimes is governed by the International Criminal Judicial Assistance Law, but is also provided on the basis of China's foundational principles of reciprocity and legal sovereignty. No foreign institutions, organisations and individuals are permitted to conduct any criminal proceeding in China and onshore institutions, organisations and individuals are strictly prohibited from providing evidence materials or assistance to foreign countries without the consent of the competent Chinese authority .

To be more specific, requests raised by foreign countries or regions are received by the Ministry of Justice if the country or region has a treaty with China (or by the Ministry of Foreign Affairs if there is no treaty), which will forward the request to the relevant judicial authorities (the Chinese courts, procuratorates or public security organs) to verify the compliance of the request with Chinese laws and treaties.

Where the foreign request is confirmed to be compliant, the relevant judicial authority will grant assistance, such as the service of documents, evidence collection, witness cooperation, freezing, seizing or confiscating assets, and/or transfer of sentenced persons.

Where the foreign request is non-compliant and has one of the following circumstances, the request may be rejected or returned for amendment:

- The act at issue is not a crime under Chinese laws;
- At the time of receipt of the request, the inquiry, investigation, prosecution and trial of the crime in the request are under way in China, an effective judgment has been made, the criminal procedure has been terminated or the limitation of the offence has expired;
- The crime against which the request is made is a political offence;

- The crime against which the request is made is purely a military offence;
- The purpose of the request is to examine, investigate, prosecute, sue or execute a sentence based on race, ethnicity, religion, nationality, gender, political opinion or identity, or the parties may be unfairly treated for the above reasons;
- There is no substantive link between the requested matter and the case of assistance; and
- Other circumstances provided by the relevant judicial authorities within their discretion and regulated sphere.

Mutual assistance between onshore covered obligors and offshore regulators

Similarly to the restrictions on information sharing with offshore regulators, article 50 of the AML Law provides that where the onshore financial institutions are requested by offshore regulators to provide client identification data or transaction information, or to seize, freeze or transfer domestic funds or assets, or to take any other action that is not in accordance with the principle of reciprocity or consensus agreement with China, the onshore financial institutions must refrain from acting on the requests of offshore regulators and report to the relevant financial administrative department of the State Council promptly.

While covered non-financial institutions are not expressly said to be subject to the same restrictions, given the strict requirement on legal sovereignty under Chinese laws, covered non-financial institutions should also seek competent industry regulators' approval before they provide any legal assistance to foreign regulators.

Law stated - 1 April 2026

UPDATE AND TRENDS

Enforcement and compliance
Describe any national trends in criminal money laundering schemes and enforcement efforts.

Emerging trends in money laundering schemes

Underground banking and cross-booking dominance

Underground banks have long been a primary channel for money laundering, but their methods have become more sophisticated. The traditional method of large-scale cash smuggling has been increasingly replaced by 'cross-booking' or 'offsetting'. This involves settling transactions in local currencies on both sides of a border without the funds physically crossing it. Illicit actors use a domestic transfer of yuan and a corresponding overseas transfer of foreign currency, making the flow difficult to trace. Authorities have identified this as a key tactic, with the State Administration of Foreign Exchange handling over 1,100 cases of such illegal cross-border fund transfers in 2025 alone.

Cryptocurrency

The use of cryptocurrencies for money laundering has seen explosive growth. A 2026 report by blockchain analysis firm Chainalysis estimated that the total volume of crypto-based money laundering surged from roughly US$10 billion in 2020 to over US$82 billion by the end of 2025.

Within this global surge, Chinese-language money laundering networks have emerged as dominant players. According to Chainalysis, these networks accounted for an estimated 20% of all illicit crypto funds laundered globally in 2025, processing at least US$16.1 billion (approximately US$44 million per day) through nearly 1,800 active wallets.

New and creative hybrid schemes

Criminals are also devising innovative methods that blend traditional and digital tactics. In one case dismantled by authorities in Hunan Province, a money laundering ring used luxury goods, specifically Moutai liquor transactions, as a cover while using cryptocurrency (USDT) as the actual channel to move funds overseas for telecom fraud rings. The gang was fully dismantled, with eight defendants receiving prison sentences.

Major enforcement efforts

The Supreme People's Procuratorate reported that in 2025, prosecutors nationwide charged 3,259 individuals for laundering funds through virtual currencies and underground banks. From January to November 2025, prosecutors indicted 2,308 cases and 2,684 people specifically on money laundering charges.

Law stated - 1 April 2026

Enforcement and compliance

Describe any national trends in AML enforcement and regulation.

To better combat money laundering activities, China has in recent years significantly strengthened its anti-money laundering (AML) framework, with some key milestones set forth below.

Revision to the AML Law

The Anti-Money Laundering Law (AML Law) was revised and became effective as of 1 January 2025, introducing groundbreaking changes, including (1) expanding the scope of predicate offences, (2) including more competent authorities (ie, more resources), such as the Ministry of Housing and Urban-Rural Development, the Ministry of Justice and the Ministry of Finance, in the AML enforcement process and the overseeing of AML compliance by specific non-financial institutions, (3) broadening the scope of AML obligations (eg, covered non-financial institutions are expressly included in the scope of covered obligors), (4) promoting a risk-based approach during customer due diligence, (5) extending the jurisdiction of Chinese authorities in AML matters to encompass overseas money laundering and terrorist financing activities, and (6) imposing higher penalties on violations under the AML Law.

Implementation of ultimate beneficial owner registry

The ultimate beneficial owner information management system was introduced pursuant to article 19 of the AML Law and article 4 of the Beneficial Ownership Measures. As highlighted during the press briefing on the Beneficial Ownership Measures, this initiative serves to enhance market transparency and safeguard against money laundering and terrorist financing. Then, the People's Bank of China (PBoC), after fully considering public comments and practical industry issues, issued the Financial Institutions Beneficial Ownership Identification Measures to address AML regulatory challenges such as hidden control and nominee shareholding, while balancing AML risk management with the optimisation of financial services; this helped avoid overly rigid, one-size-fits-all regulations that could unduly interfere with legitimate financial activities. These moves align with global practices, as all major economies have implemented similar systems and, notably, the Financial Action Task Force recognises such system as a critical benchmark in anti-money laundering evaluations.

Introduction of special preventive measures

The amended AML Law introduces new special preventive measures that have become a central pillar of China's AML framework. In response to the amendments, the PBoC, together with the Ministry of Foreign Affairs, the Ministry of Public Security and the Ministry of State Security, along with four other authorities, issued the AML Preventive Measures. The Measures require that all entities and individuals in China (ie, not just covered obligors) screen the 'black lists' maintained by the National Leading Group on Counter-Terrorism, the Ministry of Foreign Affairs and the PBoC for their clients and transaction counterparties, and no person can provide services, funds or assets to entities and individuals appearing on such lists.

Law stated - 1 April 2026

Enforcement and compliance

Describe current best practices in the compliance arena for companies and financial institutions.

Based on our knowledge of the industry practice, the following measures represent best practices in the compliance arena for companies and financial institutions:

- Conducting a thorough self-assessment — evaluating the institution's actual risks based on the characteristics of its clients' business channels, and leveraging self-assessment results to improve high-risk areas and address weaknesses in control measures.
- Enhanced due diligence — gaining a comprehensive understanding of clients' identities, ensuring that transaction activities align with clients' backgrounds, and accurately classifying and managing client risks. This includes paying close attention to identifying beneficial owners, enhancing ongoing monitoring capabilities and reinforcing due diligence measures.

Most importantly, as regulators focus more on the adequacy of due diligence for high-risk clients, institutions should prioritise enhancements to customer due diligence and transaction monitoring controls, and accordingly adopt proactive, risk-based approaches tailored to high-risk scenarios. Institutions should also use advanced technologies, including big-data analytics and dynamic risk assessments, to continuously monitor their clients.

- Optimising suspicious transaction monitoring — enhancing the effectiveness and relevance of suspicious transaction monitoring models based on product and service characteristics, improving the alignment between suspicious transaction reports and risk profiles.
- Enhancing awareness of financial crime risks — developing a thorough understanding of terrorist financing and proliferation financing risks, and implementing targeted training and awareness programs within the institution.

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