

# Legal Commentary

May 18, 2026

— BEIJING | SHANGHAI | SHENZHEN | HANGZHOU | WUHAN | HAIKOU | HONG KONG | SINGAPORE | NEW YORK | SILICON VALLEY | LONDON

## Domestic Remedies for Overseas Securities Fraud: Insights from the Extraterritorial Application of the PRC Securities Law

Authors: Xiaoming DENG | Honglu LIU | Zhuangzhuang WANG

In 2026, the Beijing Financial Court and the High People’s Court of Beijing Municipality (“**Beijing High People’s Court**”) ruled that Chinese mainland courts had jurisdiction over securities fraud involving a Cayman Islands company listed on the Hong Kong Stock Exchange (HKEX). This landmark decision sets a precedent as the first instance in which judicial authorities in Chinese mainland applied the Securities Law of the PRC (the “**Securities Law**”) extraterritorially. The decision is recognized as a “typical case” and has been included in the *Report on the Work of the Supreme People’s Court (2026)*<sup>1</sup>. Its importance is exemplified by an April 20, 2026, media interview in which Judge Ding Yuxiang, Chief Judge of the Second Civil Division of the Beijing Financial Court, reaffirmed the court’s view that “Article 2, Paragraph 4 of the Securities Law can be invoked whenever the lawful rights and interests of domestic investors are damaged”<sup>2</sup>.

From a practical perspective, this ruling strengthens protections for mainland Chinese investors and potentially offers a more convenient means of seeking recovery in instances of overseas securities fraud. In this article, we analyze the feasibility and practical advantages of domestic investors in instituting actions in mainland Chinese courts with respect to overseas securities fraud under the extraterritorial provisions of the Securities Law.

### Application of long-arm jurisdiction under the Securities Law

Article 2, paragraph 4 of the Securities Law contains a long-arm jurisdiction provision stating: “Where the issuance and transaction of securities outside the territory of the People’s Republic China have disrupted the market order within the territory of the People’s Republic of China and damaged the legitimate rights and interests of investors within the territory, such activities shall be handled and investigated for legal

<sup>1</sup> See Beijing Financial Court: “Landmark Case | First Ruling Establishing Jurisdiction over Securities Fraud Lawsuits Involving Hong Kong-Listed Foreign Companies That Meet Statutory Requirements”, <https://mp.weixin.qq.com/s/75H3Axbc0TVhesGnLcvh2w>; Beijing Financial Court: “Focus on: A Look at the Beijing Financial Court in the Work Report of the Supreme People’s Court”, [https://mp.weixin.qq.com/s/ajX3uiRCdFN1dn37cJoLjw?scene=1&click\\_id=48](https://mp.weixin.qq.com/s/ajX3uiRCdFN1dn37cJoLjw?scene=1&click_id=48).

<sup>2</sup> See Legal Daily: “Beijing Financial Court Explains the ‘First Case of Extraterritorial Application of the Securities Law’: Jurisdiction Applies Whenever the Lawful Rights and Interests of Domestic Investors Are Damaged”, <https://mp.weixin.qq.com/s/j3OnZKYxzDQNB1xh1Nj1Sg>.

responsibility in accordance with the relevant provisions of this Law”. Previously, there was a lack of clear and consistent views within China’s legislative, judicial, and academic circles regarding the application scenarios and conditions of this provision. In particular, there lacked authoritative judicial precedent regarding whether exercise of the provision required both market disruption and damage to investor rights and interests or whether it was sufficient to satisfy only one of these two conditions.

In the case, the Beijing Financial Court and the Beijing High People’s Court explicitly ruled that it was necessary only to satisfy one of the two conditions to exercise long-arm jurisdiction provision. This established a judicial view that each condition serves as an alternative to the other. The case has been included in the *Report on the Work of the Supreme People’s Court (2026)*, which to a significant extent reflects a top-down consensus within the judicial authorities on this issue. Therefore, we expect that Chinese courts may exercise long-arm jurisdiction under the Securities Law in relation to cases that concern damages to the rights and interests of investors, even if they do not rise to the level of disrupting the market order in China.

## The effect of long-arm jurisdiction under the Securities Law

### I. What substantive rules apply to foreign-related securities fraud litigation initiated in China?

Article 2, Paragraph 4 of the Securities Law explicitly provides that “such activities shall be handled and investigated for legal responsibility in accordance with the relevant provisions of this Law”. The fundamental requirement and original legislative intent of this provision is to permit Chinese courts to adjudicate disputes arising from overseas securities offerings by applying the Securities Law and relevant judicial rules, including *Several Provisions of the Supreme People’s Court on Trying Cases of Civil Compensation Arising from False Statements in Securities Market* (“**False Statement Provisions**”) and the *Minutes of the National Courts Symposium on the Trial of Bond Disputes*. Long-arm jurisdiction under the Securities Law is not necessarily abrogated by offering documents or transaction agreements that stipulate the application of foreign law because long-arm jurisdiction under this provision involves judicial sovereignty and public interests. The conflict of laws in this context represents a significant direction for future theoretical research and judicial practice development.

### II. Which court has jurisdiction over foreign-related securities fraud litigation initiated in China?

China has established a system of centralized jurisdiction for civil lawsuits filed under the long-arm jurisdiction provisions of the Securities Law that is administered by the Beijing Financial Court, the Shanghai Financial Court, and the Chengdu-Chongqing Financial Court. The Supreme People’s Court has respectively issued provisions regarding the jurisdiction of cases for each financial court<sup>3</sup>. The three financial courts coordinate jurisdiction among themselves by permitting the first court to

---

<sup>3</sup> Article 2 of “Provisions of the Supreme People’s Court on the Jurisdiction over Cases of the Beijing Financial Court”, “Provisions of the Supreme People’s Court on the Jurisdiction of the Shanghai Financial Court” and “Provisions of the Supreme People’s Court on Cases under the Jurisdiction of the Chengdu-Chongqing Financial Court” each stipulate that the jurisdiction of the respective financial court includes lawsuits filed by “domestic investors on the ground that the securities offerings or trading or futures trading activities that occur outside the territory of the People’s Republic of China infringe upon their lawful rights and interests” and lawsuits filed by “domestic individuals or institutions on the ground that the financial products sold or financial services provided by financial institutions outside the territory of the People’s Republic of China infringe upon their lawful rights and interests”.

docket a case to have jurisdiction. The Supreme People's Court has the right to settle any dispute over jurisdiction among the three courts<sup>4</sup>.

In practice, instituting a civil action in a Chinese court may be subject to a jurisdictional dispute if the offering documents, transaction agreements, or other documents for a security contain explicit provisions regarding the jurisdiction for dispute resolution. We believe that Chinese courts will generally not exercise jurisdiction if there is a valid arbitration clause in the securities offering documents or transaction contracts. However, choice of dispute resolution forum for offering documents or transaction agreements for securities cannot necessarily preclude Chinese long-arm jurisdiction if the stipulated forum is a foreign court, or if the local laws of the jurisdiction where the securities are issued provide that disputes shall be subject to the jurisdiction of a specific court in that country. This is due to the nature of long-arm jurisdiction provisions as matters of national and public interest.

### **III. What procedural rules apply to foreign-related securities fraud litigation cases instituted in China?**

Foreign-related securities litigation proceedings in China are governed by the Civil Procedure Law of the PRC and its judicial interpretations, in accordance with the principle that "procedural rules are governed by the law of the forum". The Civil Procedure Law will generally apply except for instances where its provisions may be modified by international treaties to which China has acceded.

### **Advantages of relying on Chinese long-arm jurisdiction under the Securities Law**

China-concept stocks are key investment targets for Chinese investors looking to invest overseas, which are often structured through overseas holding companies. Securities violations committed by these overseas companies can directly damage the lawful rights and interests of numerous Chinese investors. These investors usually have clear and urgent needs to protect their rights in these cases, but the unique legal systems of the overseas jurisdiction and the high costs of cross-border claims pose significant obstacles to protecting their rights and seeking recovery.

Taking the Hong Kong Special Administrative Region as an example, Section 213 of the Securities and Futures Ordinance grants the Securities and Futures Commission the authority to take legal action on behalf of investors as a plaintiff. On this basis, with regard to securities fraud committed by listed

---

<sup>4</sup> "Refining Jurisdiction over Cases and Fully Exercising Judicial Functions in Financial Matters: Q&A with the Head of the Second Civil Division of the Supreme People's Court on the Amendment to the 'Provisions of the Supreme People's Court on the Jurisdiction of the Shanghai Financial Court'": Regarding the coordination of jurisdiction between the Shanghai Financial Court and the Beijing Financial Court in such cases. Both the Shanghai Financial Court and the Beijing Financial Court have jurisdiction over financial disputes involving foreign companies that cause damage to domestic investors. This may give rise to jurisdictional conflicts, which means both the Beijing and Shanghai Financial Courts may claim jurisdiction over the same case. In fact, situations where two courts have jurisdiction over the same case are common in judicial practice. In this regard, Article 35 of the Civil Procedure Law provides that when two or more people's courts have jurisdiction over an action, the plaintiff may institute an action in one of such people's courts; and if the plaintiff institutes actions in two or more people's courts that have jurisdiction, the people's court which docketed the case first shall have jurisdiction over the action". Article 37, Paragraph 2 provides that where there is any dispute over jurisdiction between the people's courts, the dispute shall be resolved by the disputing courts through consultations; or if such consultations fail, the disputing courts shall request their common superior to specify jurisdiction. <https://www.court.gov.cn/zixun/xiangqing/297961.html>.

companies, local judicial practice generally requires that civil litigation and other remedies be initiated primarily by securities regulators, who then work with the relevant parties to determine a compensation plan<sup>5</sup>. The legal framework for individual investor lawsuits is underdeveloped, and investors face exorbitant costs of legal recourse and considerable risk of an adverse judgment<sup>6</sup>.

The “First Case of Extraterritorial Application of the Securities Law” of the Beijing Financial Court provides domestic investors with a potential means of recovery under Chinese law for overseas securities fraud. Compared to participating in an overseas proceeding, Chinese investors who institute a civil proceeding domestically under the Securities Law in connection with overseas securities fraud currently have at least three distinct advantages: policy support, a sound institutional framework, and cost-effectiveness. We address each of these advantages in turn.

**First, these proceedings align with policy objectives. The judicial authorities have taken a clear stance and have already established a systematic institutional framework.** The Beijing Financial Court has made clear in a statement in an exclusive interview with Legal Daily that it has established a systematic institutional framework for long-arm jurisdiction cases under the Securities Law. This move reflects that financial courts across the country intend to accept claims filed by domestic investors who have suffered losses due to overseas securities fraud in a manner consistent recent judicial policy pronouncements. Further, according to the interview, the court intends to explore the creation of a comprehensive dispute resolution mechanism encompassing “jurisdiction determination–model guidelines–bulk resolution”, form specialized teams for foreign-related financial and securities matters, and build a professional financial judiciary.

**Second, absent mandatory administrative procedures, the institutional framework and judicial practices governing investors’ claims through civil litigation are relatively well-established.** The current Several Provisions on False Securities Statements have abolished the previously existing preliminary administrative and criminal procedures and have established a civil dispute resolution pathway that does not rely on regulatory authorities. Investors do not need explicit guidance, support, or cooperation from regulatory authorities (whether domestic or foreign). Rather, investors may independently institute civil actions against listed companies, their actual controllers, directors, supervisors, and senior management, as well as intermediaries such as securities firms, and even other third parties complicit in the fraud. Particularly, in recent years, China’s relevant judicial practices have continued to evolve and improve under the Several Provisions on False Securities Statements. China has now established a relatively robust civil compensation mechanism for securities fraud involving stocks, bonds, and even asset-backed securities, and has developed a comprehensive framework for determining the liability of issuers, intermediaries, and other parties. The financial courts have also accumulated extensive judicial experience in adjudicating relevant cases.

**Third, domestic judicial procedures are highly efficient and cost-effective, offering better controllability over the overall process and expenses.** Overseas litigation involves complex legal

<sup>5</sup> See Shanghai Securities News: “PwC Agrees to Set Aside HK\$1 Billion for Compensation over Evergrande’s Financial Fraud”, <https://mp.weixin.qq.com/s/mMguhp1uGG14HPd9eUwVew>.

<sup>6</sup> Christine Ruth Ong Chai Hoon v. Lam Kin Chung [2025] HKCFI 3857, [legalref.judiciary.hk/lrs/common/ju/ju\\_frame.jsp?DIS=171891&currpage=T](http://legalref.judiciary.hk/lrs/common/ju/ju_frame.jsp?DIS=171891&currpage=T).

procedures such as determining jurisdiction, identifying applicable foreign laws, and notarizing and authenticating evidence. A full course of overseas litigation or arbitration proceedings can easily last three to five years or even longer. Coupled with the generally exorbitant and unpredictable legal fees in common law jurisdictions, investors face significant pressure from the high costs of dispute resolution. By comparison, instituting a civil action directly within China regarding securities fraud committed overseas would significantly reduce the costs associated with protecting investors' rights. In the "First Case of Extraterritorial Application of the Securities Law", the Beijing Financial Court efficiently facilitated a settlement between the parties and ensured its full implementation in less than two years, clearly demonstrating the distinct advantages of domestic judicial proceedings in terms of efficiency and cost-effectiveness. As noted in the Beijing Financial Court's case commentary, one of the institutional functions of long-arm jurisdiction is that "[c]ross-border investors can bring lawsuits against foreign defendants in mainland courts, thereby reducing the complexity and costs of cross-border litigation and making it easier for investors to protect their rights and interests".

### **Concluding remarks**

Effectively establishing and developing a system for the extraterritorial application of the Securities Law is an essential step towards leveraging advanced judicial capabilities to protect investors and provide judicial services to the international community. The Beijing Financial Court's ruling in the "First Case of Extraterritorial Application of the Securities Law" provides domestic investors with domestic remedies for overseas securities fraud. This means that even if Chinese investors purchase shares of overseas-listed companies, they can potentially institute actions in Chinese courts against those companies for securities fraud, making the "last mile" of protecting domestic investors' rights no longer out of reach. Chinese investors may take full advantage of China's policy support and institutional strengths to make active attempts, develop and leverage sophisticated judicial resources to safeguard their legitimate rights and interests, and advance the normalized development of the extraterritorial application of the Securities Law.

## ***Important Announcement***

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

If you have any questions regarding this publication, please contact:

### **Xiaoming DENG**

Tel: +86 10 8524 5860

Email: [xm.deng@hankunlaw.com](mailto:xm.deng@hankunlaw.com)