

Final Regulations Issued by Treasury Restrict US Investment in Chinese Tech Sector

November 25, 2024

Reading Time: 1 min

By: Christian C. Davis, Jingli Jiang, Katherine Penberthy Padgett, Eveline Liu

Key Points

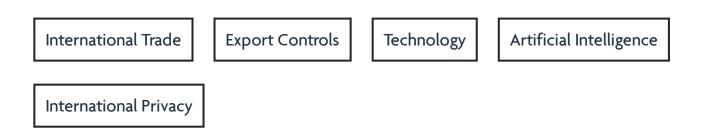
- Treasury has issued a **Final Rule** to implement President Biden's 2023 **EO** targeting U.S. investments in Chinese companies engaged in certain activities related to semiconductors, quantum computing or AI.
- Once the Final Rule becomes effective on January 2, 2025, U.S. persons will be
 prohibited from engaging in certain transactions in these sectors involving China or
 Chinese persons, while others will require a notification to the U.S. government. The
 focus is on equity investments, though some debt financing as well as greenfield,
 brownfield and joint venture-related investments will be covered.
- The rules squarely apply to private equity and venture capital funds with a U.S. general partner. In addition, some U.S. limited partner investments in funds with non-U.S. general partners will also be captured, effectively shifting some of the compliance burden to foreign general partners that take U.S. investment.
- Certain majority-owned Chinese companies and parents of Chinese companies in third countries will be covered, which will necessitate greater due diligence than if the focus were solely investment directly into China. In addition, U.S. persons will need to take steps to ensure compliance by their subsidiaries in third countries, including preventing them from making investments that they themselves would not be permitted to make. Although the set of prohibited transactions is relatively narrow, the notification obligation will apply to a broad set of transactions and require a significant amount of information to be notified to Treasury.

Akin

 We recommend that U.S. persons conduct diligence on prospective investments to identify entities and activities that may trigger these prohibitions and notification requirements and implement any necessary compliance procedures to avoid violations.

Read More

Categories



© 2025 Akin Gump Strauss Hauer & Feld LLP. All rights reserved. Attorney advertising. This document is distributed for informational use only; it does not constitute legal advice and should not be used as such. Prior results do not guarantee a similar outcome. Akin is the practicing name of Akin Gump LLP, a New York limited liability partnership authorized and regulated by the Solicitors Regulation Authority under number 267321. A list of the partners is available for inspection at Eighth Floor, Ten Bishops Square, London El 6EG. For more information about Akin Gump LLP, Akin Gump Strauss Hauer & Feld LLP and other associated entities under which the Akin Gump network operates worldwide, please see our Legal Notices page.

