

China Law Update

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[China Updates Registration Rules for Representative Offices of Foreign Firms](#)

On November 10, 2010, China's State Council promulgated a regulation that updates registration and related rules for resident representative offices of foreign firms (the "Regulation"), which will become effective on March 1, 2011. Foreign firms include those based in Hong Kong, Macao, and Taiwan. The Regulation replaces the last set of registration rules, promulgated in 1983, to which representative offices were subject (the "Prior Regulation"). The Regulation supplemented the gaps of the Prior Regulation, but it changed a few substantive rules as well. The key updates are summarized below.

Scope of Operations

The Regulation restricts the scope of activities that resident representative offices are allowed to conduct. Such offices can only engage in business-related, but not-for-profit activities, on behalf of their parent companies, including 1) performing market research, showcasing products or services, and conducting other promotional activities, and 2) acting as the liaison for product sales, customer service, procurement of products, and investment in China. Further, if such activities are subject to other laws or regulations, then the representative offices must also obtain the approval required under such laws or regulations.

If a representative office exceed the scope of permitted activities, it will have a grace period to remedy invalid operations; penalty for failing to remedy minor infractions are fines ranging from RMB 10,000 to RMB 100,000. However, in cases of gross violations, the representative office's registration will be revoked.

Registration Procedures

Foreign firms are required to appoint one chief representative for the resident office, whose name will be listed on all registration materials. In addition, the Regulation set forth the documentation required to establish the office, to register, to modify the registration, and to cancel the registration as well as the time periods allotted for each phase. Further, the Regulation extended the period before the expiration of the registration from 30 days to 60 days, during which the representative office must renew its registration and update any necessary information.

Reporting Requirements

The representative office must now submit an annual report to the registration authority between March 1 and June 30. The report must include information about the continuing legal existence of the parent company, the activities conducted by the representative office in China, and the report by the company's auditing firm, along with other related information.

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