

# Treasury Issues Final Rule on Outbound Investments to China

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On October 28, 2024, the Treasury Department issued its final regulations (the Final Rule) implementing new controls on outbound investments under Executive Order 14105, issued on August 9, 2024 by President Biden. This Final Rule comes after public comments were received by Treasury on both an Advanced Notice of Proposed Rule-Making in August of 2023 (ANPRM) and a Notice of Proposed Rule-Making in July of 2024 (NPRM). This Final Rule applies to outbound investment in China, Hong Kong, and Macau, and will go into effect on January 2, 2025. The Final Rule requires US Persons to notify Treasury of certain outbound investments before proceeding and outright prohibits other outbound investments.

Key areas that have evolved since the NPRM include:

- The scope of coverage of transactions includes:
  - A transaction made by a US person to a person of a country of concern.
  - Acquisitions of an equity interest or contingent equity interest.
  - A greenfield Investment or other corporate expansion.
  - Entrance into a joint venture.
  - Certain investments as a limited partner or equivalent.
- The knowledge standard (which describes the knowledge a U.S. person must have about certain facts and circumstances related to a transaction to trigger obligations under the Final Rule).
- The scope of the prohibition on U.S. persons “knowingly directing” certain transactions.
- The definition of covered foreign person with respect to persons holding an interest in a person of a country of concern.
- The treatment of certain debt and contingent equity transactions.
  - An exception is granted where the U.S. person, as a member of a lending syndicate, acquires a voting interest in a covered foreign person upon default and the U.S. person cannot initiate any action vis-à-vis the debtor and is not the syndication agent.
- Scope of exceptions, including for certain transactions between a U.S. person and its controlled

foreign entity and for employee compensation in the form of stock or stock options.

Companies and investors should carefully review the Final Rule to understand the requirements coming in January 2025. Please [contact](#) our sanctions, export controls, and CFIUS team if you need assistance navigating these latest developments.