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# Hughes Hubbard & Reed

## China's Anti-Foreign Sanctions Law Gets Teeth: Understanding the 2025 Implementation Regulations

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**April 14, 2025** – On March 23, China's State Council issued the Regulations on the Implementation of the Anti-Foreign Sanctions Law (Regulations), effective immediately. These Regulations clarify the 2021 Anti-Foreign Sanctions Law (AFSL) and expand China's legal tool kit to counter foreign sanctions it deems discriminatory or harmful to its sovereignty, security or development interests. Alongside this, China recently applied the AFSL in a legal proceeding for the first time, underscoring its readiness to deploy these measures to protect Chinese entities and individuals. Businesses and individuals with interests in China must be aware of these Regulations and understand their potential impact on operations, compliance obligations and exposure to countermeasures. This alert outlines the key developments and potential implications.

### **I. Background**

Enacted in June 2021, the AFSL was China's response to foreign sanctions and perceived interference in its internal affairs. The law provides a legal framework for China to impose its own countermeasures against foreign individuals, entities and organizations it determines have created or implemented foreign sanctions in a manner that discriminates against Chinese citizens or entities. However, the broad language of the initial law left significant ambiguity regarding its specific implementation mechanisms. The newly issued Regulations aim to fill in the gaps by detailing the procedures and criteria for identifying and sanctioning foreign entities and individuals, as well as outlining the countermeasures that can be taken.

### **II. Key Takeaways From the Regulations**

**Expanded Scope of Application:** The AFSL originally targeted actions that China alleges interfere with China's internal affairs (e.g., issues involving Taiwan, Hong Kong, Xinjiang and Tibet). Article 3 of the Regulations now equally emphasizes "harm to China's sovereignty, security, and development interests." This shift broadens the law's reach, signaling China's intent to counter actions that may affect its economic or developmental goals, even if they don't directly involve internal affairs.

**Enhanced Enforcement Mechanisms:** The Regulations provide substantially more detail regarding the specific countermeasures that may be imposed.

- Broader Asset Seizure Powers – Article 6(2) of the AFSL states that parties on the Anti-Sanctions List may be subject to seizure, detention or freezing of personal property, real property and “other assets” in China. The Regulations further specify that “other assets” include “cash, negotiable instruments, bank deposits, securities, fund shares, equity, intellectual property, accounts receivable, and other property and property rights.” This comprehensive definition significantly broadens the range of assets that could be affected by the AFSL. <sup>1</sup>
- Wider Activity Prohibitions – Article 6(3) of the AFSL prohibits parties in China from transacting with or cooperating with parties on the Anti-Sanctions List. The Regulations extend this to fields like education, science and technology, legal services, environmental protection, economy and trade, culture, tourism, health, and sports <sup>2</sup> – covering nearly all sectors where international businesses operate.
- Additional Enforcement Measures – Article 6(4) of the AFSL indicates that “other necessary measures” can be applied against the targeted parties. The Regulations explicitly define these measures to include. <sup>3</sup>
  - Prohibiting or restricting China-related import and export activities
  - Prohibiting or restricting investment in China
  - Banning exports of specific items to the targeted parties
  - Prohibiting or restricting access to data or personal information to target parties
  - Revoking or limiting work permits, stays or residence for relevant personnel
  - Imposing fines

**Relief Mechanisms:** Targeted parties can petition to suspend, modify or cancel the imposed measures by correcting their actions and mitigating harm. Special authorization is required to engage in restricted or prohibited activities with the targeted parties. <sup>4</sup>

**Legal Liabilities:** The Regulations outline legal liabilities for three types of noncompliance.

- Failure to comply with China’s countermeasures – Entities that fail to comply may be ordered to make corrections; be prohibited or restricted from participating in government procurement, bidding and tendering, or international trade; be prohibited or restricted from receiving or providing data or personal information from or to foreign countries; and be prohibited or restricted from leaving the country or from staying and residing in China. <sup>5</sup>
- Assisting in legal proceedings harming China’s interests – Any foreign country, organization or individual that is determined to have harmed China’s sovereignty, security or development interests through litigation or similar actions risks being listed on the Anti-Sanctions List and becoming subject to the relevant countermeasures. <sup>6</sup> The Regulations also prohibit any organization or individual from enforcing or helping to enforce judgments from such litigation. <sup>7</sup>
- Implementing or helping to implement the discriminatory restrictive measures – Chinese or foreign individuals or entities that implement or help implement discriminatory restrictive measures imposed by a foreign country against individuals or entities in China may face informal inquiries from relevant authorities, an order of correction and “other appropriate measures.” <sup>8</sup> The Regulations also encourage Chinese persons to bring civil lawsuits against individuals and entities that allegedly implement or facilitate foreign discriminatory restrictive measures in China, <sup>9</sup> and specifically encourage law firms to bring such lawsuits. <sup>10</sup>

The AFSL has already been applied in at least one legal case in China. The March 2025 Working Report from China’s Supreme Court references a case that appears to be the first application of the AFSL in legal proceedings. <sup>11</sup> In September 2023, a Chinese marine engineering firm contracted with an EU oil and gas services provider to build part of a floating production storage and offloading vessel. After delivery in 2024, the Chinese firm was listed by the U.S. Office of Foreign Assets Control (OFAC), prompting the EU company to withhold payment, citing OFAC compliance and declining further communications. Despite a foreign arbitration clause, a Chinese court invoked the AFSL, issuing an injunction to detain the vessel within China’s borders. This forced the EU firm to negotiate and obtain an OFAC license,

leading to a settlement. While the license from OFAC avoided a direct conflict between U.S. and Chinese laws, the case demonstrates China's willingness to leverage the AFSL to resist the extraterritorial consequences of U.S. sanctions.

### **III. Implication for Foreign Companies**

While further clarification and guidance are still anticipated from the relevant authorities, the Regulations introduce significant risks for non-Chinese businesses and individuals. Key implications include:

**Heightened Compliance Risks:** Foreign companies operating in China now face increased compliance complexity as they navigate the expanded scope of the AFSL framework. The Regulations create new risks for companies that may be subject to the jurisdiction of China and the jurisdiction of countries that have imposed sanctions or export controls that have impacts in China, whereby compliance with another nation's sanctions or export controls risks violating Chinese law. Foreign companies face considerable uncertainty in trying to determine which foreign laws may be considered "discriminatory restrictive measures" targeting China and which activities may be deemed "harmful to China's development interests," two broad and vague categories that require further definition.

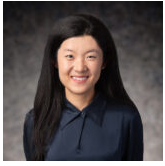
**More Types of Assets at Risk:** The detailed specification of assets subject to seizure means that foreign companies have a wider range of assets potentially vulnerable to Chinese countermeasures, including intellectual property – a particular concern for technology- and innovation-focused businesses.

**Supply Chain Vulnerabilities:** Companies may need to reevaluate their supply chains to identify potential exposure through business relationships with entities that might become targets under the expanded AFSL, especially in sensitive sectors or involving issues China considers related to its sovereignty.

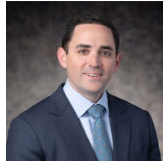
In this increasingly complex global regulatory environment, companies must proactively assess risks, monitor developments and understand obligations under U.S., EU and Chinese sanctions regimes. Engaging with authorities, updating compliance protocols and developing flexible strategies are critical to mitigating risks while ensuring business continuity. As geopolitical tensions continue to manifest in competing sanctions regimes, strategic preparation and flexible response capabilities will be essential for all companies navigating these challenging waters.

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1. Art. 7, the Regulations. ↵
  2. Art. 8, the Regulations. ↵
  3. Art. 9, the Regulations. ↵
  4. Art. 16, the Regulations. ↵
  5. Art. 13, the Regulations. ↵
  6. Art. 19, the Regulations. ↵
  7. Art. 19, the Regulations. ↵
  8. Art. 17, the Regulations. ↵
  9. Art. 18, the Regulations. ↵
  10. Art. 20, the Regulations. ↵
  11. March 2025 Working Report by China's Supreme Court, <https://www.gov.cn/yaowen/lieb...> ↵

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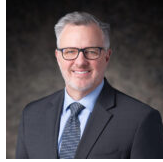
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