# Compliance challenges in China-related business

Dr Alexander Ressos, TEP
Attorney-at-Law (Switzerland and Germany),
Solicitor (England & Wales and Hong Kong)
Of Counsel, KGP Legal LLC
alexander.ressos@kgplegal.com.sg
www.ressos.com.sg

## Source of wealth and Chinese exchange controls

The first compliance question in any China-related relationship concerns the origin of the funds. China maintains controls on capital movements, under which an individual may convert a limited amount of renminbi into foreign currency each year, generally US$50,000, for purposes other than investment abroad.[1] Large sums held abroad by Chinese residents may therefore have left China through approved outbound investment, through business proceeds earned abroad or through channels that infringe Chinese law, such as underground banking, trade mis-invoicing or the use of many individuals' quotas.

Singapore has no exchange controls of its own, so a Singapore bank is in no position to enforce Chinese ones. It must nevertheless understand how the money reached Singapore, because the channels used to evade capital controls are also the channels used to move the proceeds of crime. A plausible account of the source of wealth, supported by documents such as company accounts, sale agreements, tax returns and records of approved outbound transfers, is therefore the core of client due diligence

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for Chinese clients. Chapter III of Part H describes the general framework of the Corruption, Drug Trafficking and Other Serious Crimes (Confiscation of Benefits) Act and the MAS notices.

## The lesson of the 2023 money laundering case

The money laundering case of August 2023 showed how these risks can materialise. On 15 August 2023 the Singapore police arrested ten foreigners, all originating from the Minnan region of China and holding a variety of passports, among them passports of states other than China. Assets ultimately worth about S$3 billion were seized, frozen or made subject to prohibition of disposal orders. All ten pleaded guilty and were sentenced to terms of between 13 and 17 months. One of them had been on China's wanted list since 2017 for illegal online gambling.[2] In July 2025 MAS imposed penalties of S$27.45 million on nine financial institutions for breaches of anti-money laundering requirements connected with the case.[3] Chapter VI of Part E describes the investigation, the trials and the legislative response.

For China-related business, the case taught three lessons. First, foreign passports acquired through citizenship-by-investment programmes can hide a client's Chinese origin and the Chinese legal risks attached to it, so a client's full history of nationalities and residences must be established. Second, wealth said to derive from online gaming, lending or property in China calls for particular scrutiny, because these sectors are associated with illegal activity under Chinese law. Third, a family office or a property portfolio can give a client an appearance of respectability that the underlying funds do not justify. The penalties of July 2025 showed that several of the institutions that served the defendants had not given these features adequate weight.

## Chinese law, Chinese regulators and data

China-related structures also raise questions of Chinese law. Many Chinese entrepreneurs hold their companies through offshore structures that depend on approvals from the China Securities Regulatory Commission and other authorities, as the Shein case showed. Changes in Chinese tax law, such as the taxation of

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offshore trusts that took effect in October 2026, can alter the economic logic of a structure after it has been set up. Chinese rules on data protection and on the transfer of personal information abroad may limit what documents a Chinese client or company can lawfully provide to a Singapore bank. Advisers need Chinese law expertise, either in-house or through correspondent firms, to identify these issues.

The relationship between the two legal orders is also affected by the possibility of requests for assistance. China and Singapore cooperate on the return of fugitives and assets in certain cases. Chinese anti-corruption campaigns have also led to inquiries about assets held abroad by officials and their relatives. A Singapore institution that holds the wealth of a politically exposed Chinese person, or of a family connected with one, must assess the risk that the wealth derives from corruption and that it will become the subject of a request for mutual legal assistance.

## American export controls and sanctions

The rivalry between the United States and China creates a further layer of risk. Since October 2022 the United States has imposed export controls on advanced computing chips and semiconductor manufacturing equipment destined for China.[4] Singapore companies that resell chips, operate data centres or finance technology trade can find themselves at the centre of American investigations, as the Megaspeed inquiry shows. American sanctions on Chinese companies, the American rules on outbound investment in Chinese technology sectors and China's own Anti-Foreign Sanctions Law of 2021 can place a Singapore bank between conflicting legal obligations.[5]

Singapore does not apply unilateral American sanctions as a matter of law. Its banks, however, depend on access to the US dollar and to correspondent banks in New York, which gives American rules a practical reach in Singapore. Chapter IV of Part H examines the legal framework, while Chapter V of Part K considers the strategic options of the financial centre between the two powers.

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## Checklist for China-related business

- Establish the full nationality and residence history of the client, including passports obtained through investment programmes and any former Chinese nationality.
- Document the source of wealth by reference to verifiable Chinese records such as company accounts, tax returns, records of share sales and approvals for outbound investment.
- Ask how the funds left China and whether the transfers complied with Chinese exchange control rules, and treat unexplained transfers through third parties or trading companies as a red flag.
- Assess the client's Chinese tax position, including the taxation of offshore income and of offshore trusts, and remember that Singapore accounts and trusts of Chinese tax residents are reported under the Common Reporting Standard.
- Identify politically exposed persons and their relatives, including officials of state enterprises and local governments, and assess the risk of future requests for mutual legal assistance.
- Screen counterparties, goods and technology against American, European and United Nations sanctions and export control lists, and check whether Chinese counter-sanctions rules could affect the transaction.
- Check whether listings, restructurings or transfers of data require approval from Chinese regulators.
- For project finance and Belt and Road transactions, choose the governing law, the arbitral seat and the enforcement route at the outset, taking into account the memorandum of guidance between the Supreme Court of Singapore and the Supreme People's Court.
- Review existing China-related structures regularly, since changes in Chinese tax, exchange control and listing rules can alter their legal and economic logic.

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# Notes

1. State Administration of Foreign Exchange, rules on the annual facilitation quota for individual foreign exchange purchases of US$50,000 equivalent, with restrictions on use for overseas securities, property and insurance investment. ↩
2. Wikipedia, “2023 Singapore money laundering case” (accessed November 2026): raids of 15 August 2023; ten foreigners arrested and charged, “Chinese nationals from Minnan region” holding various non-Chinese passports; assets of about S$1 billion initially, later about S$3 billion; nearly S$2.8 billion surrendered (S$944 million from the ten convicts and about S$1.85 billion from 15 wanted suspects); sentences of 13 to 17 months; Su Wenqiang on China's wanted list since 2017 for illegal online gambling. ↩
3. Wikipedia, “2023 Singapore money laundering case” (accessed November 2026): on 4 July 2025 MAS imposed S$27.45 million in penalties on nine financial institutions for anti-money laundering breaches related to the case. ↩
4. Wikipedia, “United States New Export Controls on Advanced Computing and Semiconductors to China” (accessed November 2026): rules issued by the Bureau of Industry and Security of the Department of Commerce on 7 October 2022, taking effect on 12 and 21 October 2022. ↩
5. Wikipedia, “Anti-Foreign Sanctions Law” (accessed November 2026): passed by the Standing Committee of the National People's Congress on 10 June 2021 and effective on that date. ↩

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