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Morrison & Foerster Client Alert.

China Update-

FIP Measures Take Effect; First FIP Registered; Implementing Rules and Policies Clarify Scope of Important New Vehicle for Foreign Investment

CONTACT US AT:

mofonews@mofocom

Marketing Department
Morrison & Foerster LLP
425 Market Street
San Francisco, CA 94105

This week heralds the official launch of a new structure for foreign investment — the foreign-invested partnership (“FIP”) — with long-awaited Administrative Measures on the Establishment of Partnership Enterprises in China by Foreign Enterprises or Foreign Individuals (the “FIP Measures”) coming into effect. After the promulgation of several laws contemplating foreign involvement in partnerships over the past few years, there has been much anticipation about how FIPs might change the landscape for foreign investment. Will the FIP structure enable foreign investors to bypass the restrictive and often arbitrary foreign investment approvals regime? Will foreign investors be able to thereby compete for deals on a level playing field with newly ascendant domestic institutional investors? Will there be potential opportunities for foreign private equity and real estate investment managers to manage domestic RMB capital pools and enable the use of offshore-style partnership?

We discuss these points further in this update. The FIP Measures appear to permit the streamlined establishment of foreign-invested partnerships with greater flexibility in regard to investment structuring than otherwise available with other foreign investment vehicles.

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