
When Following the Rules Becomes the Risk: China's New Counter-Sanctions Regime Puts Your Singapore Arm in a Vice

China's 13 April 2026 countermeasures regulation can now penalise your Singapore entity for the very compliance its foreign banks and customers demand.

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If your China-based group runs its international business through a Singapore entity — a trading company, a holding company, or a regional headquarters — a regulation signed by China's State Council on 13 April 2026 has quietly rewired your legal risk. The everyday compliance your Singapore office performs to keep its banks, insurers and Western customers happy — screening counterparties, dropping sanctioned suppliers, filing export paperwork — can now expose your group to investigation, blocking orders and blacklisting back in China.

Most coverage of China's new countermeasures regime is written for Western multinationals worried about getting caught in the crossfire. This article is written for the other side of the structure — the Chinese group whose own Singapore subsidiary has become the entity left holding the live wire.

01 What happened

On 13 April 2026, Premier Li Qiang signed a State Council decree promulgating the Regulations on Countering Improper Extraterritorial Jurisdiction by Foreign States. Running to 20 articles and effective immediately on publication, the Regulations pull together — into a single, hardened instrument — the blocking, identification and counter-sanction tools Beijing has been assembling since 2020, and add sharp new ones.

The framework is open-textured by design. China's Ministry of Justice decides whether a foreign measure amounts to "improper extraterritorial jurisdiction," judged against broad tests of international law and harm to Chinese interests. Three features make this version far more dangerous to a Singapore entity than anything before it:

- ◆ A "Malicious Entity List" that targets anyone who "promotes or participates in" a foreign measure — the word "promote" sweeps in advisers, intermediaries and group affiliates, not just the party that pulls the trigger.
- ◆ **Potential criminal liability** for individuals who breach the Regulations — a clear escalation from the purely administrative penalties of earlier instruments such as the 2021 Anti-Foreign Sanctions Law.
- ◆ A **consolidated power** to issue prohibition orders and order counter-sanctions against foreign measures and those who give them effect within China's reach.

The Regulations landed six days after the 7 April 2026 Regulations on Industrial and Supply Chain Security. Read together, the two instruments carry one message: complying with Washington or Brussels at China's expense is now itself a regulated act.

The compliance that protects the entity abroad is the same conduct that exposes it at home.

02 Why this reaches your Singapore arm

Chinese groups routinely place their Singapore entity at the contracting and banking interface with the outside world — precisely because Singapore is trusted, neutral and globally connected. That is exactly what now puts the Singapore arm on the fault line. Three pressure points are most acute.

Supplier and customer termination. The single highest-risk act under the new Regulations is terminating a Chinese supplier or customer to satisfy a foreign sanction or export control. Your Singapore company's bank or US customer may insist on the cut; making it can now be read in China as “participating in” a foreign extraterritorial measure — putting the entity, and possibly its officers, on the Malicious Entity List.

Screening and disclosure. Routine sanctions screening, beneficial-ownership disclosure and export-control filings — the housekeeping your Singapore arm does to keep its correspondent banking — can now be characterised as giving effect to foreign measures against Chinese parties. The compliance that protects the entity abroad is the same conduct that exposes it at home.

Group officers and advisers. Because liability extends to those who “promote” foreign compliance — and now reaches into criminal territory — directors who sit on both the mainland and Singapore boards, and the professional advisers who counsel the Singapore entity, can be personally caught. Dual-hatted executives are the most exposed of all.

03 The legal landscape now forming

Two streams of legal work have become urgent for any Chinese group with a Singapore arm.

The disputes stream. A Singapore entity that refuses a Western counterparty's compliance demand — to avoid Chinese liability — invites breach claims and SIAC or ICC arbitration from that counterparty. The same entity that complies invites a Chinese prohibition order and a designation it cannot easily contest. The contract — its governing law and seat — becomes the battlefield, and most agreements signed before April 2026 are silent on this conflict.

The compliance stream. Groups need a decision protocol that maps, before any termination or disclosure, whether the act triggers a foreign sanction, a Chinese countermeasure, or both — and that records a defensible lawful basis either way. Intercompany agreements between the Singapore entity and mainland companies should allocate who bears the cost of being caught between two systems, and board minutes should show the conflict was weighed.

04 What you should do now

I Map every “compliance trigger” in your Singapore entity's contracts.

Identify each clause that requires the Singapore arm to screen, certify, disclose or terminate because of a foreign law — US, UK or EU sanctions, export controls, or forced-labour rules. These are your conflict points.

2 Build a two-sided decision protocol before you act.

Before any supplier termination or disclosure, assess the act against both the foreign regime and China's new Regulations, and document the lawful basis for whichever path you take. The riskiest decisions are the ones made quickly by local staff without this check.

3 Reallocate the risk in your intercompany agreements.

Agreements between the Singapore entity and mainland group companies should state which entity bears the loss if compliance with one regime breaches the other. If they are silent — as most are — update them now.

4 Add regulatory-conflict clauses to new and renewing external contracts.

New and renewing contracts with foreign counterparties should treat compliance with Chinese law, including these Regulations, as a force majeure or excusing event — so a forced choice does not automatically become a breach.

5 Protect your dual-hatted directors and advisers.

Because liability now reaches individuals who “promote” foreign compliance, review board composition, decision records and Directors & Officers cover for anyone who serves both the mainland and Singapore sides — before a flashpoint arrives, not after.

KEY TAKEAWAYS

- 1** China's Regulations on Countering Improper Extraterritorial Jurisdiction by Foreign States — signed on 13 April 2026, 20 articles, effective on publication — create a "Malicious Entity List" and potential criminal liability for those who "promote or participate in" foreign sanctions and export controls.

- 2** For a Chinese group, the Singapore entity is the exposed point: the everyday compliance it performs for foreign banks and customers — screening, disclosure, terminating sanctioned counterparties — is exactly the conduct the new Regulations are built to punish.

- 3** The fix is procedural and contractual: a two-sided decision protocol before any termination, regulatory-conflict clauses in external contracts, risk-allocation in intercompany agreements, and protection for dual-hatted directors. Most contracts signed before April 2026 address none of this.

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If your China-based group uses a Singapore entity to face the world — and that entity is now caught between what its foreign banks and customers demand and what Beijing’s new Regulations forbid — please feel free to reach out for an exploratory conversation.



Jeremy Sia

Managing Director, 26 Gambit Chambers LLC

E jeremy.sia@26Gambit.com

T +65 9127 5768



26 Gambit Chambers

One Marina Boulevard, Level 20

Singapore 018989

26Gambit.com

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