

Criteria for foreign MNCs establishing Regional Headquarters in Shanghai

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The Shanghai Municipal Foreign Economic Relation & Trade Commission (SMERT) is responsible for recognising the Regional Headquarters of foreign multinational corporations established in Shanghai. It is equally charged with overseeing and coordinating the associated administrative work of each of the relevant departments.

At the beginning of 2009, SMERT issued a policy encouraging multi-national companies to set-up their Regional Headquarters in Shanghai. Since then, detailed criteria, which must be met in order to qualify as a Regional Headquarter, have been made available. This article aims to provide a brief overview of the key points.

Foreign-invested investment companies that have been established in Shanghai can apply for recognition as Regional Headquarters directly. However, the establishment of a Regional Headquarters in the form of a management company should satisfy the following conditions:

- Its parent company has total assets valued at no less than US\$400 million;
- Its parent company has invested in China, an aggregate amount of no less than US\$10 million, and the number of enterprises in China and abroad that have been authorised to manage by its parent company is no less than three. Otherwise, the number of enterprises in China and abroad that have been authorised to manage by its parent company is no less than six; and
- The registered capital of a management company should be no less than US\$2 million.

To establish a Regional Headquarters in Shanghai, the original version of the following documents should be submitted to SMERT, unless the submission of photocopies is specified:

- An application signed by the legal representative of the company;
- A power of attorney for establishment of the Regional Headquarters and performance of basic functions signed by the legal representative of the parent company;
- (Photocopies of) the approval certificates and business licenses of the company;
- (Photocopies of) the approval certificates and business licenses of the enterprises in China invested in by the parent company;
- A power of attorney for the proposed legal representative of the Regional Headquarters signed by the legal representative of the parent company and the resume and relevant identification document of the proposed legal representative of the Regional Headquarters;
- Other materials as specified in laws and regulations.

Please find below, the website for the aforementioned provision (Chinese version only):
<http://www.sh.gov.cn/...>

To understand how the latest criteria to establishing a Regional Headquarters in Shanghai may specifically affect your company, please contact Borys Priadko, Senior Manager,

LehmanBrown's Shanghai office on: bpriadko@lehmanbrown.com.

To learn more about the Shanghai Municipal Foreign Economic Relation & Trade Commission (SMERT), please go to the following website:
<http://www.smert.gov.cn/gb/2/node498/node606/index.html>