

Navigating regulatory compliance amid the US-China trade war

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The increasing need for compliance in China has been reinforced by the tougher global regulation environment over the past decade. Compliance costs have multiplied not only for financial institutions, but for other industries as well. As companies team up with the global supply chain and businesses, and invest globally, they are required to follow local compliance codes. If they fail to do so, they face risks that could adversely impact their business and strategic focus.

Recent events emphasize the importance of compliance:

- Zhejiang Geely (commonly known as Geely), a global automotive group based in Zhenjiang, China, avoided significant operational risk when its internal compliance team pushed to reject a EUR6m deal from Iran. This helped Geely pass regulatory investigations in 2017, including those by the Committee on Foreign Investment in the United States (CFIUS), when Geely was engaged in a key, strategic [M&A](#) - its acquisition of US-based flying car-production company Terrafugia, Inc.
- In contrast, one of the largest telecommunication equipment producers in China had to pay a substantial fine due to its vulnerable compliance efforts. It was found to have violated [US trade](#) law when it shipped telecommunication equipment to sanctioned countries Iran and North Korea. This resulted in the dismissal of four senior employees and its potential stagnation in increasing US market share.

These instances indicate the criticality of proper compliance procedures, especially for Chinese companies pursuing development overseas, without which their global strategies, supply chains and future business would be exposed to potential risks. It is, therefore, important that management teams change from a mindset of 'being required to conduct compliance' to 'proactively leveraging compliance in risk management in line with long-term strategies'.

Given increasing regulatory requirements, many companies have expanded their compliance teams and increased compliance spending. Despite this, they face complex challenges even with basic know-your-customer (KYC) due diligence tasks. For Chinese companies operating outside China, these challenges include the following:

- Meeting tight deadlines without compliance professionals with sufficient experience
- Unfamiliarity with overseas compliance regulations
- Language, political and cultural barriers
- Identifying private companies due to lack of access to data resources

Companies that plan to operate or are already operating in China also face compliance-related challenges. As trade tensions between the US and China intensify, international firms are reviewing their internal compliance processes, to minimize risk from JVs, vendors and other business relationships with Chinese companies. Most of these challenges, however, are the same that Chinese companies would face in global markets.

To meet such challenges and bridge the gaps in compliance norms in China and the West, we believe companies should check how prepared they are to do so:

- Is there a shortage of trained FTEs to meet the tight deadlines?
- Is hiring and managing the project in-house expensive?
- Are we unfamiliar with political policies and the cultural background of target countries?
- Do we lack foreign-language support when targeting a global presence?
- Is it difficult to access reliable sources for data on private companies, especially private companies overseas?

How Acuity Knowledge Partners can help

In response to company concerns relating to both basic [KYC due diligence](#) and other complex requirements, we have partnered with Bureau van Dijk (BvD), a specialist in private company data, to [provide high-quality compliance](#) solutions to our clients in China and globally. This has given us access to data on over 300m companies from Orbis (the world's most powerful comparable data resource on private companies). Furthermore, access to the Compliance Catalyst tool streamlines KYC and [anti-money laundering \(AML\)](#) research, enabling us to help with client onboarding and customer due diligence. Our vendor due diligence service has helped our clients reduce costs of and time spent in performing these tasks in-house, freeing their compliance teams to focus on core compliance tasks. [Click here](#) to see how a global mining firm benefited from this service.

We benefit from the following advantages:

- Ability to tailor-make services based on client needs
 - Efficient due diligence project management to meet timelines and reduce operating costs
 - A trained pool of experienced [compliance](#) professionals
 - A multi-language team, enabling a global presence
 - Access to BvD, a specialist in private company data
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About Acuity Knowledge Partners

Acuity Knowledge Partners is a leading provider of high-value research, analytics and business intelligence to the financial services sector. The company supports over 350+ financial institutions and consulting companies through a team of over 3,000+ subject matter experts who work as an extension of the clients' teams based out of various global delivery centres.

We empower our clients to drive revenues higher. We innovate using our proprietary technology and automation solutions. We enable our clients to transform their operating model and cost base.

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