



Newsletter No. 239 (EN)

**Use of
Company Chops
in China**

April 2022

Although Lorenz & Partners always pays great attention on updating information provided in newsletters and brochures we cannot take responsibility for the completeness, correctness or quality of the information provided. None of the information contained in this newsletter is meant to replace a personal consultation with a qualified lawyer. Liability claims regarding damage caused by the use or disuse of any information provided, including any kind of information which is incomplete or incorrect, will therefore be rejected, if not generated deliberately or grossly negligent.

Unlike in most of the Western world, Chinese businesses make extensive use of corporate chops and they play a crucial role when contracting with Chinese companies.

Where a written contract is preferred or required, chop and signature issues are mostly inevitable.

I. Legal Effect of Affixing a Company Chop

The use of a company chop (a.k.a. stamp, carved seal) can have the **same legal effect** as the signature of a company's legal representative (statutorily representing a company) or a duly authorized officeholder.

However, it is a common dispute that the legal entity claims the chop is a fake one and denies the contract's validity. According to the Judicial Interpretation of the Supreme People's Court¹, unless specifically stated by the laws, the company bears the legal consequence if a legal representative or a duly authorized officeholder affixes a company chop to the contract. In this case, whether the signatory is duly authorized at the time of affixing a seal determines the contract validity.

The contracting parties may explicitly stipulate that the execution of a contract requires **both the chop and signature** or one of them. If no such explicit contract provision is in place, either a company chop, or a

signature can legally bind the relevant contracting party.

II. The differences between the company chop and signature

The company chop's most fundamental and important legal role is to serve as a symbol of the company's manifestation of assent. Though historically China has a longstanding tradition of using chops, under modern Chinese law, chops carry the **same legal effect as signatures**, especially in civil and commercial circumstances.

When a signature is involved, the signature of the legal representative (法定代表人) normally carries the **highest level of authority**. The legal representative acts as the "legal face" of the company and is the deemed signatory for all operational activities of the company.

The legal representative is identified on the **company's business license**, registered at the AMR (Administration of Market Regulation), and has the presumed authority to enter into binding obligations on behalf of the company. A company can only have one legal representative.

In addition to the legal representative, any other **duly authorized person** can also sign a contract on behalf of the company, even without a company chop. In such cases, cautious verification of such person's

¹ No. 254 [2019] of the Supreme People's Court, Notice by the Supreme People's Court of Issuing the Minutes of the National Courts' Civil and Commercial

Trial Work Conference (最高人民法院关于印发《全国法院民商事审判工作会议纪要》的通知) (the "Judicial Interpretation"), Article 41, Para. 2-3.

authorization would be a good practice to avoid legal risks to the validity of the signed document incurred by lack of authority (i.e. unauthorized representation or *ultra vires* representation). The most critical issue for the bona fide counterparty would be to prove that it has reasonably cautiously examined the said authorization in the given business circumstances.

III. Different Types of Chops

There are no laws or regulations that specify how many different types of company chops a company may utilize. Some provincial public security bureaus and relevant government departments may issue administrative regulations on the format and materials of specific types of chops.²

However, in practice, it is not uncommon to see a Chinese company having several different types of chops carrying various functions for its business operation. Examples are set out below.

A company should only engrave its chops at licensed chop-makers regulated by the local public security authority, and relevant filing procedures have to be complied with. When the company chop attached to the contract is properly filed in advance, the party claiming the contract is invalid must present evidence.

The following is a summary of the category, specimens, and practical notes of chops that are often used by businesses in practice.

² No. ChuanGongZhiFa[2003]55, Notice on the standardization of seal security management information system into the network seal impression format (关于规范印章治安管理信息系统入网印章

1. Official company chop (公章)

[Logo description automatically generated]
Mandatory.

It is a symbol of the company as a legal person. Normally round in shape (occasionally oval), in red ink. Carrying the company's name (in Chinese, sometimes with English translation) and registration number, both of which can be verified against the company's business license. Often required when a company enters into a binding relationship or issues an important document.



* Specimen of the Official company chop (公章).³ The final form recorded by the Public Security Bureau's filing system shall prevail.



* Specimens of the Official company chops (公章) with both Chinese and English.⁴ The final form recorded by the Public Security Bureau's filing system shall prevail.

2. Legal representative's name chop (法定代表人章)

Mandatory.

It can serve as an alternative to the personal signature. In a square or rectangular shape, featuring the name of the individual in that role in Chinese characters. Must be destroyed and replaced as soon as the legal

印模格式的通知), Sichuan Provincial Public Security Bureau.

³ *ibid.*

⁴ *ibid.*

representative changes. It is a good practice to keep in different custody from the official company chop.



* Specimen of legal representative's name chop (法定代表人章). The final form recorded by the Public Security Bureau's filing system shall prevail.

3. Finance chop (财务专用章)

[Logo description automatically generated]
Mandatory.

It is used for bank-related transactions. Usually kept separately from the official company chop. Its specimen must be deposited with the bank.



* Specimen of Finance chop (财务专用章). The final form recorded by the Public Security Bureau's filing system shall prevail.

4. Contract chop (合同专用章)

It is widely used for executing contracts, especially for larger companies. The contract chop can be replaced by the official company chop to be affixed on the contract.



* Specimen of Contract chop (合同专用章). The final form recorded by the Public Security Bureau's filing system shall prevail.

5. Invoice (fapiao) chop (发票专用章)

Companies use it for issuing official invoices (fapiao) and tax receipts. From accounting, book-keeping and tax perspectives, formal invoices carrying the invoice chop are compulsory. It contains the company name, the words "special chop for invoice", and the tax registration number.



* Specimen of invoice (fapiao) chop (发票专用章). The final form recorded by the Public Security Bureau's filing system shall prevail.

6. Customs chop (报关专用章)

Mandatory for a company involved in international trade.

Companies use it for customs declarations on the import and export of goods.

It shall be carved in light of the uniform requirements of the General Administration of Customs and filed before first usage.



* Specimen of the customs chop (报关专用章).

7. Internal chop (公司内部印章)

Optional.

Normally, for internal administrative or managerial purposes only, these do not have any external effect. An exception is where an HR

chop is used to execute employment contracts with employees. In this case, the HR chop can legally bind the company with external effect.

IV. Digital chops/signatures (电子印章/签名)

Optional.

A digital chop/signature is the digital equivalent of a given chop/signature used for remote execution of documents. They are usually binding as long as it is agreed upon by the parties.

The Digital Signature Law of China stipulates two kinds of e-signature: (1) the reliable e-signature; and (2) the e-signature in the form that complies with contract stipulations. A reliable e-signature shall have the same legal effect as official company chops or handwriting signatures.

A reliable e-signature shall be applied for with the competent administrations of digital chops; the applicant shall submit a digital certificate bound to the digital chops and relevant requested documents. The digital certificate shall be made by a service provider licensed by the Department in *Charge of the Information Industry under the State Council* (the “Licensed E-signature Service Provider”).

To make sure a digital chop or signature is authentic, the executing party should be in sole control and use of the chop/signature creation data. Such data should be only linked to his/her identity. This means simply cutting and pasting an existing symbol does not work.

By using a Licensed E-signature Service Provider any subsequent changes in the data should be detectable. The system should integrate all

the electronic and encryption information during the execution process, store them in the system and allow future downloads by authorized parties.

Unlike the widely used *DocuSign* and *SignNow* in the West, the Licensed E-signature Service Providers in China might be less known to the people outside China. It is advisable to check if a particular provider has been duly licensed before using them to avoid later difficulties.

Some exceptions exist, such as the signing of documents relating to marriage, adoption, inheritance, public utilities, and other documents as stipulated by law and administrative regulations.

IV. Recommendations

The company chops affixed to a document manifest a company’s assent to all or any particular contents unless a contrary intention is expressed. It is suggested to manage the company chops as below to avoid disputes arising from the usage of company chops.

- Establish internal management rules for the use of the company's chops, including the scope of usage, authorized person, and authorization period; make public announcements at the signing venue or display directly to the counterpart to mitigate the risk of a *bona fide* third party.
- During external transactions, the use of company chops by counterparties for consistency or beyond the scope of authorization shall be checked.

*We hope that the information provided in this brochure was helpful for you.
If you have any further questions please do not hesitate to contact us.*

LORENZ & PARTNERS Co., Ltd.

27th Floor Bangkok City Tower
179 South Sathorn Road, Bangkok 10120, Thailand

Tel.: +66 (0) 2-287 1882

E-Mail: info@lorenz-partners.com

www.lorenz-partners.com