



Han Kun Newsletter

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Legal Updates

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1. World Bank Group Publishes 2025 Version of Integrity Compliance Guidelines: What Entities Need to Know?

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On December 9, 2025, the World Bank Group (“**WBG**”) published the newest Integrity Compliance Guidelines (“**2025 Guidelines**” or “**Guidelines**”) which was revised by the Integrity Compliance Office (“**ICO**”) on November 24, 2025. This was the first revisions of these Guidelines since their creation in 2010 (“**2010 Guidelines**”). 2025 WBG Guidelines have significantly expanded the core integrity compliance policy from the original 11 indicators as specified in 2010 Guidelines to total 28 compliance standards including 13 “*Core Principles*” and 15 “*Internal Controls*”.

Updates on Main Revisions

The 2025 Guidelines continue to lead the global integrity compliance best practices by creating some new policies and guidance for developing an integrity compliance program (“**ICP**”) including:

■ Expanded scope of application

While the 2025 Guidelines are intended primarily for entities sanctioned by the WBG, these Guidelines also serve as compliance practical guidance for the entities subject to WBG’s investigation and all other entities seeking to improve their corporate compliance management.

■ Minimum requirement of an ICP

2025 Guidelines make clear that, at a minimum, an integrity compliance program should be designed to Prevent, Detect, Investigate, and Remediate the misconduct.

■ Prioritize the integrity risk assessment

2025 Guidelines put the integrity risk Assessment at the top of its “*Core Principles*”, demonstrating the importance attached by the WBG on risk assessment in an integrity compliance program. Such comprehensive integrity risk assessment should be conducted regularly, ideally at least annually, and must cover the entity’s entire workforce and business operations.

■ Expanded management role to middle management

2025 Guidelines expand management roles from senior management to managers at all levels including middle management. Managers at all levels should reinforce company’s integrity standards and encourage employees to abide by such standards.

■ Publicize mechanism of advice and guidance

2025 Guidelines stress the importance of adopting an effective, confidential mechanism to provide timely advice and guidance on integrity compliance program. Entities are further required to publicize such mechanism in order to make it easily accessible for relevant persons.

■ **Compliance control over technology tools**

Specifically, detailed instructions are provided for using technology system, such as chatbots, to provide advice and guidance, mandating the accuracy, consistency, confidentiality, and reporting obligation.

■ **Remediation mechanisms with disciplinary measures**

2025 Guidelines consider the disciplinary measures as part of the various steps of the appropriate remedial actions, and encourage reasonable steps to be taken to remediate and prevent further misconduct.

■ **Clear protocol restricting relationships with currently and former public officials and politically exposed persons**

2025 Guidelines add a clear protocol requiring entities to impose appropriately tailored restrictions on the remuneration and other commercial compensation for current and former public officials, politically exposed persons (“PEP”), and entities associated with such persons.

■ **Adopt safeguards procedures for business development**

Pursuant to 2025 Guidelines, particular safeguards and procedures should be adopted to prevent and address misconduct in business development process. Accurate and complete disclosure are mandated during all bidding and business development activities. Segregation mechanism should be established to avoid conflict of interests for conflicting roles, such as sales and marketing staff and the personnel who review and approve business proposals.

■ **Compliance control over merger and acquisition**

This brandnew policy is adopted in the 2025 Guidelines to ensure that other companies, organizations who come under an entity’s control through M&A are subject to integrity risk assessment and compliance program prior to their integration into the entity. Entity should also reserve right to exit or cancel the deal if material compliance risks are identified from in the M&A transaction.

In addition to the newly-created compliance policies mentioned above, 2025 Guidelines also refine and optimize the existing integrity policies contained in 2010 Guidelines, such as:

■ **Integrity compliance function**

2025 Guidelines make clear that a senior officer with adequate independence, authority, autonomy, stature, resources and expertise, should lead and manage company’s integrity compliance program.

■ **Decision-making process**

Senior management and compliance function are clearly designated as appropriate decision-makers in the context of implementing integrity compliance program, taking into consideration of various elements.

■ **Training and communication**

While the importance of compliance training and communication are continued stressed in 2025

Guidelines as did in 2010 Guidelines, entities are further required to periodically assess the impact of compliance trainings and communication on employee behavior and overall corporate integrity culture, such as through conducting surveys, interviews and other channels for feedback.

■ **Duty to report**

2025 Guidelines make one step further to require and encourage, not only employees but also external parties including business partners, to report integrity concerns and breaches.

■ **Whistleblowing / reporting channels**

2025 Guidelines supplement whistleblowing requirements contained in 2010 Guidelines, by further requiring entities to periodically assess employees' awareness of whistleblowing/reporting mechanisms and their comfort level in using the channels.

■ **Investigation procedures**

In addition to developing and implementing protocols for internally investigating suspected misconduct, 2025 Guidelines encourage entities to establish clear protocols for responding to external investigations and audits in timely and legal manner under the leadership of management and compliance function.

■ **Employee due diligence**

2025 Guidelines expanded the integrity vetting from personnel of high-risk individuals or positions to all candidate employees, existing employees and members of governance body, especially prior to promotion and reassignment to sensitive positions.

■ **Gifts, hospitality, entertainment, travel, and expenses**

While repeating the same compliance control measures for G&E as specified in 2010 Guidelines, 2025 Guidelines further mandate the pre-approval by compliance function or other high-ranking persons in the high-risk situations involving gifts, hospitality, entertainment, travel and expenses.

■ **Political contribution**

In the case of political contribution, entities are required to conduct due diligence on such political contribution, be reviewed by compliance function for potential risks, and obtain the approvals from senior management.

■ **Charitable donations and sponsorship**

Similarly, 2025 Guidelines mandate to conduct risk-based due diligence on proposed recipients of such charitable donations and sponsorship, to ensure the recipients are reputable and no improper purpose is intended.

■ **Facilitation payment**

Besides clearly prohibiting facilitation payments, 2025 Guidelines require prompt reporting to compliance function and proper recording in the books and records of the company.

■ Appropriate remuneration and payment

For the payment to business partners, further requirements are added such as, payment should be made through bona fide channels, duly recorded in books and record, supported by proper documentation and receipts, among others.

Key takeaways

The 2025 Guidelines are indicative of the updated expectations by the WBG for international integrity compliance best practices. It is critical for entities, both multinationals and small-medium size enterprises, to be aware of these new trends of the growing landscape of international integrity compliance practice, and utilize the 2025 WBG Guidelines as an important practical guidance to further improve the integrity compliance management to be an integral part of their business operations.

2. NFRA Issues New Rules on Custody Services of Commercial Banks

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On December 12, 2025, the National Financial Regulatory Administration (NFRA) released the ***Measures for the Supervision and Administration of Commercial Bank Custody Business (Trial)*** (《商业银行托管业务监督管理办法(试行)》), hereinafter referred to as the “**Measures**”), which will take effect on **February 1, 2026**. This marks the first systematic regulation of commercial bank custody business by Chinese regulators and is set to implement a stricter custody framework. We have summarized the key provisions most relevant to custodian banks below for quick reference:

Clarification of custody bank’s responsibilities and prohibited acts

The Measures clearly define the boundaries of a custodian bank’s responsibilities, reinforcing the principle that the custodian is not a guarantor for the product. The custodian banks are advised to revisit their custody agreement template and existing executed custody agreements to ensure they are not required to take these prohibited responsibilities under the Measures set forth below.

Ref. articles	Description	Impacts on custodian banks
Art. 19	Custodian banks are explicitly prohibited from: (1) undertaking credit risks and market risks for the assets of custody products;	No material impacts. Custodian banks do not undertake these risks before the Measures come into effect.
	(2) providing direct or indirect, explicit or implicit guarantees for custody products, including promising principal repayment or guaranteeing returns;	No material impacts. Similar prohibition has already been provided in the <i>Guidelines for the Asset Custody Business of Commercial Banks</i> (《商业银行资产托管业务指引》) issued by the China Banking Association (the “ Guidelines ”).
	(3) advancing funds, providing liquidity support, or making financing commitments for custody products; pursuant to NFRA’s press release on the Measures (available at https://www.gov.cn/zhengce/202512/content_7051094.htm), qualified collateral management services for fixed-income	It will have impacts on those custodian banks that advance funds for money-market funds which is a prevalent market practice. After the Measures take effect, this practice will be prohibited. With the above said, in the <i>Administrative Measures on Supervision of Money Market Funds</i> (《货币市场基金监督管理办法》), custodians are permitted to provide liquidity support to money market funds,

Ref. articles	Description	Impacts on custodian banks
	<p>securities conducted between commercial banks and products on a market-oriented and lawful basis is not prohibited for custodian banks;</p>	<p>and in the <i>Interim Provisions on the Regulation of Major Money Market Funds</i> (《重要货币市场基金监管暂行规定》), fund managers are even required to enter into agreement with custodians to get short-term financing support from custodians via bond repurchase transactions or other available transactions, in case of liquidity risks of major money market funds. Custodian banks may be put in a disadvantage position in comparison to custodian securities firms, and it remains to be clarified whether the provision of liquidity support by bond repurchase transactions will fall in the exception prescribed by NFRA in the press release.</p>
	<p>(4) participating in investor suitability management;</p>	<p>No material impacts. The Guidelines already prohibit custodian banks from taking responsibility for the suitability management of investors. The Measures take a further step and emphasize that banks shall not even “participate” in the suitability management which should cover the whole process of suitability management.</p>
	<p>(5) guaranteeing the authenticity of investment projects and transaction information;</p>	<p>No material impacts. Similar prohibition has already been provided in the Guidelines.</p>
	<p>(6) guaranteeing the legality and compliance of fund sources of custody products;</p>	<p>No material impacts. Similar prohibition has already been provided in the Guidelines.</p>
	<p>(7) undertaking safekeeping responsibilities for assets already transferred out of the custody account or outside the bank’s actual control;</p>	<p>No material impacts. This is consistent with the responsibilities provided for the custodian banks in the Guidelines.</p>

Ref. articles	Description	Impacts on custodian banks
	(8) participating in the investment decisions made by product managers for custody products;	No material impacts. While not provided for in the Guidelines, the custodian banks shall not be involved in the investment decisions even before the Measures come into effect.
	(9) illegally disclosing information about custody products or providing related data to other institutions or individuals on behalf of the product manager.	No material impacts. This prohibition should not prohibit all information disclosure made by custodian banks on behalf of the product managers, but only apply to illegal disclosures. For example, Article 28 of the <i>Guidelines for the Operation of Private Securities Investment Funds</i> (《私募证券投资基金运作指引》) requires custodians to provide relevant fund valuation information to third party custodians. Such disclosure shall not fall in the prohibited scope under the Measures.
	(10) taking responsibilities for such consequences arising from the product managers' failure to incorporate the commercial bank's review comments into the information disclosure;	No material impacts. So long as the custodian banks have reviewed the relevant information disclosure and promptly remind the product managers as required under the Measures, the custodian banks should not be held accountable for the relevant consequences of the information disclosure made by the product managers.
	(11) taking responsibilities for fund recovery, asset preservation, litigation/arbitration, debt restructuring, or bankruptcy proceedings of products that fail to make payment, unless otherwise required by applicable laws or regulations;	No material impacts. The Guidelines already prohibit the custodian banks from taking the responsibility of fund recovery. The Measures introduce more prohibited activities for the custodian banks.
	(12) taking responsibilities for losses due to force majeure or non-bank	No material impacts. The Measures further clarify the circumstances under which the custodian banks shall be

Ref. articles	Description	Impacts on custodian banks
	performance error/negligence; and	exempted from liabilities for the losses suffered by the custody assets. Custodian banks should incorporate such limitation of liability clause into the custody agreement.
	(13) other responsibilities provided by NFRA to be outside custodian banks' business scope.	No material impacts.
Art. 17	<p>The custodian bank shall provide investment supervision services on the basis of adequately obtaining all requisite data and information, and it shall not provide or promise to provide supervision services beyond its capability.</p> <p>The Measures provide for a white list of supervision services that custodian banks can provide, namely supervision on investment scope, ratio, style, restrictions, and related-party transactions.</p>	<p>The custodian banks shall revisit their custody agreement template and existing executed custody agreements to ensure no supervision services are provided by them beyond their capability.</p>

Enhanced assessment for non-standard asset custody

Article 10 of the Measures introduces new requirements for commercial banks when providing custody services for products investing in non-standard assets, such as non-standard debt assets or equity interests in unlisted enterprises. Custodian banks shall conduct a thorough assessment based on their capabilities and service levels, focusing on two (2) dimensions:

1. assessment of the product manager: evaluating capital strength, corporate governance, compliance management, risk control, information disclosure, and market standing.
2. assessment of the product: reviewing transaction structure, investment targets, exit strategy, and valuation method/strategy.

Strengthening separate account opening requirements

Article 11 of the Measures requires custodian banks to open separate accounts for each custodial product, including but not limited to fund accounts and securities accounts necessary for investment and trading, to ensure the integrity and independence of product assets. Custody accounts shall bear clear identifiers, and the account name shall in principle include both the account holder and the

product name.

In practice, some foreign funded custodian banks have proposed to adopt an omnibus account structure which is commonly used by overseas custodian banks that only one securities account is opened for multiple products under its custody. Upon coming into effect of the Measures, this account structure is expressly prohibited.

Detailed operational and risk management requirements

The Measures introduce specific operational and risk control requirements:

Ref. articles	Requirements
Art. 12 -Reconciliation	At least once every six(6) months.
Art. 14 -Use of third-party data for accounting	Custodian banks are required to primarily use available and reliable third-party data (e.g., from CCDC) for accounting. Where accounting of the custodian banks relies solely on the product manager’s data, and no reliable third-party data is available, the custody agreement shall clearly specify data sources and exemption clauses.
Art. 15 - Valuation	Custodian banks are required to clearly provide for the valuation subject, valuation principle, valuation method, valuation time and error handling in the custody agreement. Where the custodian banks use models for valuation, the parameters shall be set in a prudent manner, and shall not be adjusted arbitrarily.
Art. 18 -Record retention	Records, ledgers, reports, and related materials shall be retained for at least ten (10) years.
Art.23 -System security	This article sets out comprehensive requirements for custody business information systems, covering cybersecurity, data security and business continuity, with a special focus on data security to prevent tampering, leakage, or illegal use, and to protect custodial data and personal information.

Disclosure and alert obligations

The Measures significantly strengthen the custodian’s role in monitoring and alerting the product manager, particularly regarding information disclosure and compliance.

Ref. articles	Requirements
Art. 15 - Valuation	Where valuation results of the custodian bank differ from those of the product manager and they cannot reach consensus on the result, custodian banks shall timely remind the product manager to make disclosures in accordance with applicable laws and regulations.
Art. 16 - Material event reminder and verification	<p>Upon discovering material events relating to custodial products, custodian banks shall timely remind the product managers to perform information disclosure obligations.</p> <p>Where disclosures of the product managers and other related parties require verification by the custodian banks, custodian banks shall verify based on data and information available to them, and explicitly agree with the product managers and other related parties that when making the disclosure, they shall clearly state the scope of data and information verified by the custodian banks.</p>
Art. 17 -Compliance alert	The custodian banks shall refuse to execute transactions that violate laws, regulations, or the custody agreement. Where the transaction has already been concluded in accordance with trading procedures or execution cannot be refused, the custodian banks shall promptly notify the product managers and other relevant parties.

Transition period

Existing non-compliant custody arrangements shall be rectified within three (3) years of the Measures coming into force. For existing cases where custodian banks have advanced funds, provided liquidity support, or made financing commitments, they shall: (1) accurately identify and assess business risks based on the principle of substance over form and the look-through principle; and (2) conduct appropriate asset risk classification and make impairment provisions and capital allocations in accordance with relevant regulations.

Outlook

Overall, the new Measures represent a significant step towards standardizing and tightening the supervision of commercial bank custody business in China. The focus is clearly on reinforcing the custodian’s role as a supervisor and safekeeper, while clearly delineating responsibilities and minimizing systemic risk. We have been actively advising commercial banks on a broad range of custody arrangements, and are more than happy to help custodian banks to analyze the impacts of the Measures and assist with gap analysis and transitional or remediation solutions. We will continue to closely monitor regulatory developments and keep you posted on any material updates.

Important Announcement

This Newsletter has been prepared for clients and professional associates of Han Kun Law Offices. Whilst every effort has been made to ensure accuracy, no responsibility can be accepted for errors and omissions, however caused. The information contained in this publication should not be relied on as legal advice and should not be regarded as a substitute for detailed advice in individual cases.

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