Serial Article I: Practical Guidance on Chinese Company Chops and Legal Representatives' Signatures – Getting to Know the Company Chops

By Yuhua Yang | Daisy Li | Yang Yu

Businesses in China, unlike their counterparts in most of the western world, make widespread use of company chops and they play an important role when contracting with Chinese companies.

Under Chinese law, it is not mandatory that all contracts be concluded in writing. However, where a written contract is preferred or required, chop and signature issues are mostly inevitable.

Q1 What is a Chinese company chop?

In China, 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 authorised officeholder.

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.

Q2 Chop vs signature

Though historically China has the 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 company operational activities.

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The legal representative is identified on the company's business licence, 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 authorised 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 authorisation would be a good practice to avoid legal risks to the validity of the signed document incurred by lack of authority (i.e., unauthorised 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 authorisation in the given business circumstances.

Q3 Different types of chops

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.

Types of Chops	Specimens	Practical Notes
Official company chop (公章)		Mandatory. - 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 licence. - Often required when a company enters into a binding relationship or issues an important document.
Legal representative's name chop (法定代表人章)		Mandatory. - Serves 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. - Need to be destroyed and replaced as soon as the legal representative changes. - It's a good practice to keep in different custody with the official company chop.
Finance chop (财务专用章)		Mandatory. - For bank related transactions. - Usually kept separately with the official company chop. - Its specimen must be deposited with the bank.

Contract chop (合同专用章)		Optional. - Widely used for executing contracts especially for larger companies.
Invoice (*fapiao*) chop (发票专用章)		Mandatory. - For issuing official invoices (*fapiao*) and tax receipts. - From accounting, book-keeping and tax perspectives, formal invoices carrying the invoice chops are compulsory.
Customs chop (报关专用章)		Mandatory for a company involved in international trade. - For customs declarations on the import and export of goods.
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.

Q4 Digital chops/signatures (电子印章/签名)

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's agreed upon by the parties.

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 do not work. By using a qualified e-signing software or platform, 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 authorised parties.

In China, service providers of digital chop/signature software should be licensed by relevant authorities. Unlike the widely used DocuSign and SignNow in the West, Chinese providers 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.

We will discuss the authenticity and custody of company chops in the serial article II.

If you would like to know more information about the subjects covered in this publication, please contact:

Yuhua Yang
+86 10 8519 2266
+44(0)20 3283 4337
yuhua.yang@llinkslaw.com

SHANGHAI	BEIJING	SHENZHEN
19F, ONE LUJIAZUI 68 Yin Cheng Road Middle Shanghai 200120 P.R.China T: +86 21 3135 8666 F: +86 21 3135 8600	4F, China Resources Building 8 Jianguomenbei Avenue Beijing 100005 P.R.China T: +86 10 8519 2266 F: +86 10 8519 2929	18F, China Resources Tower 2666 Keyuan South Road, Nanshan District Shenzhen 518063 P.R.China T: +86 755 3391 7666 F: +86 755 3391 7668

HONG KONG	LONDON
Room 3201, 32/F, Alexandra House 18 Chater Road Central, Hong Kong T: +852 2592 1978 F: +852 2868 0883	1/F, 3 More London Riverside London SE1 2RE United Kingdom T: +44 (0)20 3283 4337 D: +44 (0)20 3283 4323

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