



Company Chops in China: What Are They and How to Use Them

By Dezan Shira & Associates

Editor Alexander Chipman Koty

An official company chop— sometimes referred to as a seal or stamp – is a necessity for doing business in China. In contrast to business places in the West, management and administrative teams in China use the chop to legally authorize documents, often in place of a signature.

Beyond the company chop, a business may need others. A company will likely need several chops – each for a different purpose and used on different types of official documentation – depending on its business scope. Regardless, every business should consider diversifying their use of chops.

For some chops, any person simply in possession is deemed as authorized to use it. Given the implications, businesses should consider working with independent advisors, who can manage the application process and design internal controls for their responsible use once obtained. In this article, we explain the different chops in China and how businesses can use them.

Company chop

The company chop is mandatory, and functions as the company's official signature. Businesses use the company chop for all legal documents as it can cover almost all the functions of other chops, except for the customs chop and the invoice chop.

The company chop is required when any important document is signed, and can provide legal authority when opening a bank account or altering the name or business scope of the company.

Foreign-invested enterprises must produce the company chop when registering with the Administration of Industry and Commerce (AIC). The company chop contains the full registered name of the company in Chinese, and must be approved by the Public Security Bureau (PSB).

The chop must be recorded by the AIC, PSB, and the company's bank.



Finance chop

The finance chop is used for opening a bank account, issuing checks, authenticating financial documents such as tax filings and compliance documents, and for most bank related transactions.

It is a mandatory chop, though the company chop can often be used in its place. Companies will often keep their finance and company chops separate to avoid exposure to misuse.

The chop must be recorded with the AIC, PSB, and the company's bank.

Customs chop

The customs chop is used for customs declarations on import and export goods. It is mandatory for companies engaged in cross-border trade.

Contract chop

Many companies use a separate contract chop for signing contracts with their employees or executing agreements between salespeople and clients.

While having a contract chop is not a statutory requirement, this chop can serve in place of the company chop when used for contracts.

The contract chop grants less authority than the company chop, making it useful for [delegating authority](#).

Invoice (*fapiao*) chop

The invoice chop is mandatory for [issuing official invoices and tax receipts \(fapiao\)](#). A chopped invoice is required to declare a purchase as a business expense.



Legal representative chop

The [legal representative](#) chop is a personal chop owned by the company's legal representative. The legal representative is the main principal of the company identified on the business license, and has the authority to enter into binding obligations on behalf of the company. A company can only have one legal representative.

The legal representative chop can be used in place of a signature, or alongside one. Upon registration, it must be recorded with the AIC, PSB, and the company's bank.

Electronic chop

An [electronic chop](#) is the digital equivalent of a given chop used for online transactions, including financial and contractual ones. These chops are similar to electronic signatures, which are encrypted to ensure the user's authority.

Companies using electronic chops are advised to monitor regulatory updates regarding their use, as technological developments have outpaced corresponding changes in legislation.

Other chops

In addition to the above chops, a variety of other chops can be used for different purposes, such as human resources chops. Although only the company, finance, and customs chops (if applicable) are legally required, various government departments may at times require other chops for specific purposes.

For example, a government department may require a document chopped with the company seal of the foreign investor's parent company. This can create complexities, as the use of seals by many smaller corporations is not mandatory and is not part of the typical administration process.

However, in order to satisfy requirements, a seal may be procured, which should be countersigned by a recognized person on the board of the parent company. Chinese authorities will normally specify whose signature should accompany the document and seal.

In-house counsel for US or EU corporations should determine the legal use of chops and seals within their own domestic legal framework. The Chinese, in requesting seals and chopped documents, are



merely imposing their own domestic administration rules to foreign companies without necessarily appreciating that foreign investors are not governed abroad by the same regulatory framework.

Internal controls: secure your company chops

Chops yield immense power, and merely being in possession of one can be proof of authority to use it. Accordingly, companies are advised to secure their chops and ensure that they are not used for illicit purposes or stolen by disgruntled employees.

Chops are not necessarily held by one person; in fact, in many cases different chops are used by different departments. For example, the company accountant uses the finance chop, while the in-house lawyer may hold the contract chop.

A company can also mandate that all chops be accompanied by the company chop should it wish to add another layer of protection. Chops are also usually accompanied by the authorized signatory, thus providing an additional layer of security over and above that used in the West, which tends to rely on signature alone.

Regardless, it is a sensible idea to have only trusted individuals possess chops as required, and to establish [internal controls](#) to regulate and log their use. With the exception of company owners, it is unadvisable to give one individual control over all the chops and be signatory for all of them as well.

Further, given the importance of chops in China, companies are advised to conduct thorough [HR audits](#) to ensure their internal controls are robust and minimize risks relating to improper usage of chops.

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For inquiries, please email us at info@dezshira.com. Further information about our firm can be found at: www.dezshira.com.