

China Issues New Measures on M&A Loans

Abstract: China issued new M&A Loan Measures that update the regulatory framework, expanding financing options for acquisitions while enhancing prudential controls in the banking sector.

In brief

On **31 December 2025**, the National Financial Regulatory Administration of the PRC published the **Administrative Measures of Merger and Acquisition Loans of Commercial Banks** (《商业银行并购贷款管理办法》) (the “**New M&A Loan Measures**”), which came into effect on the same day. The New M&A Loan Measures repeal and replace the regulatory regime governing M&A loans that has been in effect since 2015 (the “**Old Rules**”).

The New M&A Loan Measures apply to M&A loans provided by PRC commercial banks to:

1. a PRC company as borrower; or
2. a PRC company acting as sponsor of a borrower that is wholly owned or controlled by it, provided that such borrower is an investment or holding company.

We set out below a summary of the most notable developments introduced by the New M&A Loan Measures for your reference.

Contact Information

Grace Li
Partner
Shanghai

Shirley Wang
Partner
Beijing

Simon Leung
Partner
Hong Kong

M&A loans for acquisition of minority shareholding interests

Under the Old Rules, M&A loans were permitted only for acquisitions resulting in the borrower (or multiple buyers acting in concert) obtaining ownership or control of the target company.

While the New M&A Loan Measures continue to permit M&A loans for acquisitions that result in ownership or control of the target company (the “**Controlling Interests M&A Loan**”), they now also allow M&A loans to be used for **certain minority shareholding acquisitions by a single buyer (but not by multiple buyers acting in concert)**, as summarized below (the “**Minority Interests M&A Loan**”):

1. Initial minority-interest acquisition

A PRC company may obtain an M&A loan to acquire **no less than 20%** of the equity interests in a target company, provided that this constitutes the **borrower’s initial acquisition** of the target.

2. Subsequent minority-interest acquisition

Where a PRC company (as borrower or sponsor):

- already **controls** the target company; or
- already holds **no less than 20%** of the equity interests in the target company,

it may obtain further financing to acquire an additional **no less than 5%** equity interest in the target company.

For regulatory purposes, financing under item (i) above continues to be treated as a **Controlling Interests M&A Loan**, whereas financing under item (ii) is classified as a **Minority Interests M&A Loan**.

Reduced equity contribution and extended loan tenor

1. Equity contribution requirement

Under the Old Rules, the borrower was required to contribute at least **40%** of the acquisition consideration as equity, and PRC banks were permitted to finance up to **60%** of the acquisition amount.

The New M&A Loan Measures relax this requirement for Controlling Interests M&A Loans, under which the minimum equity contribution is reduced to **30%**. The **40%** equity contribution requirement continues to apply to Minority Interests M&A Loans.

2. Loan tenor

The maximum tenor for a Controlling Interests M&A Loan has been extended to **10 years**, compared to **7 years** under the Old Rules. The maximum tenor for Minority Interests M&A Loans remains **7 years**.

Refinancing of acquisition loans no longer permitted

Under the New M&A Loan Measures, a borrower may obtain an M&A loan only to finance (or refinance) acquisition consideration and related expenses **paid by the borrower itself within one year** after full payment of the acquisition consideration. However, an M&A loan **may not be used to refinance an existing bank loan** that was originally borrowed for M&A purposes.

This restriction did not exist under the Old Rules and has been introduced primarily to mitigate financial risks associated with highly leveraged acquisitions.

As a result, where an acquisition was previously financed by way of a **bridge loan from an offshore lender**, refinancing such bridge financing with a new onshore M&A loan will **no longer be permitted**, and alternative refinancing structures should be considered.

Conclusion

Overall, the New M&A Loan Measures have been positively received by market participants. They introduce greater flexibility by facilitating minority shareholding acquisitions, while also supporting larger-scale transactions through reduced equity contribution requirements and extended loan tenors. At the same time, the measures reinforce prudential risk control by restricting refinancing of existing acquisition debt.

Should you wish to discuss the New M&A Loan Measures in greater detail or assess their impact on your current or contemplated transactions, please do not hesitate to contact us.