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*Process & Procedure*

# Anti-Foreign Sanctions Law: China (AFSL)

## Sample Risk Assessment & Communications Guidance for the “Faux AI” Organization

<b>Framework</b>	NIST AI Risk Management Framework (AI RMF 1.0)
<b>Document Owner</b>	Export Compliance / Trade Legal
<b>Effective Date</b>	2026   Review Annually
<b>Classification</b>	Internal Use   Not Legal Advice

### GOVERN

## 1. Govern — Policy & Accountability

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### 1.1 Purpose

This procedure establishes guidance for employees and contractors of multinational organizations who may encounter situations where U.S. or EU export control and sanctions requirements conflict with obligations under China's Anti-Foreign Sanctions Law (AFSL) and related blocking regulations. The goal is to reduce legal exposure on both sides of that conflict through disciplined communication, escalation, and documentation practices.

### 1.2 Scope

This procedure applies to:

- All personnel communicating with China-based counterparties about transaction restrictions, contract changes, or supply chain decisions

- Employees in export controls, sanctions, legal, sales, procurement, and operations who interact with PRC-linked entities
- China-based employees and distributors acting on behalf of the organization

### 1.3 Governing Laws & Frameworks

- Anti-Foreign Sanctions Law (AFSL), People's Republic of China (2021)
- PRC Blocking Rules and Unreliable Entity List (UEL) regulations
- Supply chain security rules (expanded 2025 enforcement)
- U.S. Export Administration Regulations (EAR) and Office of Foreign Assets Control (OFAC) sanctions programs
- EU blocking statute and applicable member-state regulations
- NIST AI Risk Management Framework (AI RMF 1.0) process structure
- U.S. references to China may focus on mainland China, Hong Kong, and Macau, but PRC framing of “China’s sovereignty, security, and development interests” extends more broadly:
  - Taiwan is treated as part of China (PRC position)
  - Hong Kong and Macau are explicitly treated as internal affairs under the PRC framework
  - Xinjiang and Tibet are treated by the PRC as matters of internal sovereignty
  - Certain maritime zones (SCS/ECS) are China asserted jurisdiction areas

### 1.4 Roles & Responsibilities

Role	Responsibility
<b>Export Compliance</b>	Primary owner of this procedure; approves escalations; maintains approved language library
<b>Trade / Sanctions Legal Counsel</b>	Reviews high-risk communications; advises on conflict scenarios; required sign-off before escalated responses
<b>Business / Sales Teams</b>	First line of awareness; must escalate before communicating any restriction rationale to China counterparties
<b>China-Based Employees</b>	Must not improvise explanations; must route counterparty inquiries centrally; subject to individual liability risk
<b>Government Affairs</b>	Engaged when counterparty threatens litigation, UEL designation, or government action

## MAP

## 2. Map — Risk Identification

### 2.1 What Is the AFSL Risk?

China's AFSL framework creates direct legal conflict for multinationals. When a company complies with U.S. or EU export controls or sanctions it may simultaneously violate PRC law, which can prohibit or penalize exactly that compliance activity. Examples of violations include refusing a transaction, terminating a contract, or changing a supply chain to exclude Chinese

origin items. The risk is not primarily in the decision itself. The risk is in what is communicated, how it is documented, and whether the rationale references foreign government requirements.

**2.2 Who Is Affected?**

- Foreign companies whose offshore conduct impacts China-linked products or supply chains
- Multinationals balancing U.S./EU compliance with PRC legal obligations
- China-based employees who implement, assist, or communicate compliance decisions
- Parties who 'design, decide, implement, or assist' in decision making; the scope is intentionally broad

**2.3 High-Risk Trigger Scenarios**

The following situations require immediate escalation before any external action or communication:

Trigger Situation	Why It Creates AFSL Risk
Rejecting or terminating a transaction due to U.S./EU sanctions or export controls	Direct evidence of implementing foreign restrictive measures
Pausing payments or refusing services to a PRC-linked entity	Operational pressure and potential UEL exposure
Communicating a sanctions-based rationale to a Chinese counterparty	Creates evidentiary trail of compliance with foreign law
Supply chain changes tied to U.S. restrictions affecting PRC suppliers	May be interpreted as enforcing discriminatory measures
Compliance actions involving PRC universities or state-linked entities	Elevated government interest; heightened enforcement risk
Local employees or distributors explaining restrictions independently	Individual liability; side-channel communications increase risk

**MEASURE**

**3. Measure — Risk Assessment**

**3.1 Risk Factors**

Assess exposure level before taking action. Higher risk when any of the following apply:

#	Risk Factor	Exposure Level
1	Communication already sent explaining U.S. sanctions restrictions/rationale to China, Chinese citizens	<b>HIGH:</b> Escalate immediately to legal representatives. Depending on your organization, this may include China-based counsel, outside counsel, or the general counsel.
2	Counterparty is state-owned enterprise, government-affiliated, or PRC university	<b>HIGH:</b> Escalate immediately to legal representatives. Depending on your organization, this may include China-based counsel, outside counsel, or the general counsel.
3	Transaction denial or termination under U.S./EU law	<b>ELEVATED:</b> If your process includes a first-line denial, follow that standard, counsel-cleared communication. The denial process should also include a second-line escalation path to legal when needed.
4	Supply chain change affecting PRC supplier	<b>ELEVATED:</b> If a supplier in China is changed, use a standard, counsel-cleared communication to notify the supplier. A second-line escalation process should also be available for any follow-up communication.
5	Local team or distributor may have communicated independently	<b>ELEVATED:</b> Assess what was said. If the team acted independently, for example by communicating with regulators, counterparties, or others on a legal issue, they are responsible for their own conduct unless an organization representative directed their activities.
6	No communication yet; reviewing options	<b>STANDARD:</b> Follow your organization's approved process and language.

**MANAGE**

## 4. Manage — Procedure & Response

### 4.1 Step-by-Step Procedure

### Step 1 Identify the trigger

Determine whether your action or communication falls into a high-risk scenario (see Section 2.3). If any trigger applies, do not proceed without completing Step 2.

### Step 2 Escalate before communicating

Contact Export Compliance or Trade Legal before any external communication. Do not draft rationale, send emails, or hold meetings with the counterparty until approved language has been confirmed.

### Step 3 Use approved neutral language only

All external communications must use only the approved phrases in Section 4.2. Do not reference U.S. export controls, sanctions, military designations, or government requirements.

### Step 4 Separate internal and external records

Keep internal legal analysis and escalation trails separate from external-facing documentation. Do not attach or forward internal memos to counterparties.

### Step 5 Route counterparty complaints centrally

If the counterparty raises a dispute, complaint, or legal threat, do not respond directly. Route immediately to Export Compliance and Legal.

### Step 6 Document and preserve approvals

Record all escalations, approvals, and decisions. Maintain a log of communications and the approval chain. This documentation is your primary risk mitigation.

### Step 7 Close the loop

After resolution, confirm outcome with Legal, update the transaction record, and note any lessons for future cases. Compliance does not end at 'no' — it ends at documented resolution.

## 4.2 Approved External Language

Use only the following phrases when communicating with China-based counterparties about restrictions. Do not improvise, elaborate, or add rationale.

*"This matter is under internal review."*

*"Additional approvals are required before we can proceed."*

*"We are unable to proceed at this time."*

*"We are reviewing applicable contractual and compliance requirements."*

*"We have received your inquiry and are routing it to the appropriate team."*

## 4.3 Do / Do Not

**DO**

**DO NOT**

✓ Escalate before any external communication about a restriction	✗ Tell counterparties they are 'sanctioned' or on a restricted list
✓ Use only approved neutral language externally	✗ Explain U.S. government concerns or policy rationale
✓ Keep communications factual and limited	✗ Reference 'military company' or other government designations externally
✓ Separate internal legal analysis from external messaging	✗ Allow local employees or distributors to improvise explanations
✓ Preserve all records, approvals, and escalation trails	✗ Create side-channel communications outside official channels
✓ Route counterparty complaints to Legal centrally	✗ Localize or reinterpret approved language independently

#### 4.4 Escalation Path

Escalate To	When
<b>Export Compliance Operations Teams</b>	Any situation involving a China counterparty and a restriction; first point of contact
<b>Trade / Sanctions Legal Counsel</b>	Before any external communication in high-risk situations. Legal counsel should lead these interactions, with the operations team copied or notified as needed to document closure. If the matter is resolved without further legal action, retain the record as an audit artifact. If additional legal involvement is needed, escalate the case accordingly.
<b>Sanctions Controls Team</b>	For sanctions, embargoed countries, or counterparty screening questions; first point of contact
<b>Government Affairs / Senior Leadership</b>	If counterparty threatens litigation, UEL designation, or government action

#### A Note on the Legal Conflict

AFSL risk does not always arise from a direct statutory prohibition. It often turns on what is communicated, how the matter is documented, and whether those communications create evidence of implementing foreign restrictive measures. The primary mitigation strategy is disciplined communication, careful process documentation, clear internal escalation trails, and caution around supply-chain changes and transaction denials. Organizations must continue to comply with applicable U.S. and other relevant laws, but communications about those legal

requirements with external parties, including Chinese nationals in China, should be carefully controlled.

*This document is for informational and internal guidance purposes only. It does not constitute legal advice. Organizations should consult qualified trade counsel before acting in any AFSL-related matter.*