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BIS Expands Entity List Controls to All Unlisted Foreign Affiliates Owned 50% or More by Listed Parties

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On September 30, 2025, the US Department of Commerce's Bureau of Industry and Security (BIS) issued an interim final rule (IFR) titled "Expansion of End-User Controls to Cover Affiliates of Certain Listed Entities" (Affiliates Rule).

The Affiliates Rule expands the scope of the Export Administration Regulations (EAR) (15 CFR parts 730-774) to create new license requirements for exports, reexports and transfers (in-country) subject to the EAR when a party is 50% or more owned by entities listed on the Entity List, the Military End-User (MEU) List, or certain programs listed in the EAR that are administered by the Department of the Treasury's Office of Foreign Assets Control (OFAC) under the Specially Designed Nationals and Blocked Persons List (SDN List). Effectively, the IFR creates a "50% rule" for parties restricted under the EAR, similar to OFAC's long-standing 50% rule that applies to the SDN list. To distinguish the two rules, BIS will use the "Affiliates Rule" terminology to describe the new requirements under the EAR.

The rule is effective as of September 29, 2025. Comments to the IFR must be submitted no later than October 29, 2025.

Expansion of the Entity List and Entity List Foreign Direct Product (FDP) Rules

Under the Affiliates Rule, Entity List license requirements and other restrictions have been expanded from the previous name-based restrictions to now apply to any foreign entity that is owned, directly or indirectly, individually or in aggregate, 50% or more by one or more listed entities – or by unlisted entities that are themselves subject to Entity List restrictions due to their ownership. In other words, the same restrictions that apply to a listed parent entity now apply to every foreign subsidiary or affiliate that meets the 50% or more threshold, regardless of the foreign country in which the foreign affiliate is located.

The Affiliates Rule does not use the term "subsidiary" because it applies more broadly to "foreign affiliates," meaning any entity where the combined ownership of all restricted parties (Entity List, MEU List, or SDN List) equals or exceeds 50%. The scope of the Entity List is further expanded to cover foreign entities owned by parties that are themselves subject to restrictions based on ownership. Similar to OFAC's SDN List rules, the Entity List requirements now flow down beyond the listed entity and its first-tier foreign affiliates, capturing every subsequent affiliate whose ownership can be traced – directly or indirectly, individually or in aggregate – to one or more parties listed on the Entity List or owned 50% or more by a combination of Entity List, MEU List or certain SDN List parties.

BIS acknowledges that the expanded scope that will now apply to the Entity List will be more complex and resource-intensive than the prior name-based screening. Verifying that a foreign entity is not 50% owned by a party on the Entity List will be particularly difficult when ownership information is limited or entities are privately held. Further, the Consolidated Screening List – a publicly available tool maintained by the Department of Commerce – will no longer comprise an exhaustive list of foreign entities subject to Entity List requirements.

Requests for Modification

A foreign entity that now falls under the expanded scope of the Entity List as established in the Affiliates Rule may request that BIS modify its Entity List owner's entry to explicitly exclude the requester. These requests will follow the same procedures that Entity List parties use to request modification or removal. While this process offers a possible avenue for unlisted foreign affiliates to seek relief from restrictions, it is important to note that the End-User Review Committee – the interagency body that manages entries on the Entity List and MEU List – has historically been reluctant to grant removals from either list.

Footnote Designations and FDP Rules

Certain entities on the Entity List are designated with footnotes that carry implications under the EAR's FDP Rules (see § 734.9 of the EAR). The Affiliates Rule expands the end user scope of the Entity List FDP Rules – specifically 734.9(e) and 734.9(g) of the EAR – to cover situations where a foreign entity is owned 50% or more by one or more listed entities, or by unlisted entities now subject to Entity List requirements under the Affiliates Rule, when at least one of the owners is an entity identified with a footnote 1, 3, 4 or 5 on the Entity List. Significantly, these new requirements apply "even when only one of the owners meets the end-user criteria [i.e., Entity List footnote designation]" under Paragraph (e) or (g)(2) of the Entity List FDP Rules.

Expansion of the MEU List and SDN List Restrictions Under the EAR

Although less common, the Affiliates Rule also expands the scope of the MEU List and certain persons designated on the SDN List. Similar to the 50% ownership rule now applicable to the Entity List, if a foreign entity is "owned, directly or indirectly, individually or in aggregate, 50% or more" by entities subject to the MEU List or by persons blocked in the programs listed in § 744.18(a)(1) of the EAR, the same restrictions apply to that entity. The OFAC-administered programs identified in the EAR generally target activities related to Russia's invasion of Ukraine, terrorism, weapons of mass destruction, narcotics trafficking and other criminal networks.

Multiple Restricted Party Owners (Ownership in the Aggregate)

Under the Affiliates Rule, if an entity is owned 50% or more – directly or indirectly – by multiple parties that are subject to EAR license requirements under a combination of the Entity List, MEU List or SDN List programs listed in § 744.8(a)(1), the entity must comply with the most restrictive license requirements, license exception rules and license review policies that apply to any of its owners under the EAR.

Compliance Burden Rests With the Item's Exporter, Reexporter and Transferor

Unlike other end use and end user provisions of Part 744 of the EAR, the Entity List, MEU List, and SDN List requirements do not depend on the exporter's "knowledge" of the restriction. The Affiliates Rule adds Red Flag 29 to BIS's "Know Your Customer" guidance (supplement No. 3 to Part 732) specifying that once an exporter, reexporter or transferor is aware that a foreign entity involved in a transaction has one or more owners listed on the Entity List or MEU List, they have "an affirmative duty to determine the percentage of ownership by those entities."

In cases where an exporter is unable to determine the ownership percentage of the restricted parties associated with a foreign entity, they must apply for the same BIS license that would be required under the restricted party's Entity List or MEU List restrictions.

Guidelines for Applying the Affiliates Rule

The IFR adds supplement No. 8 to Part 744 of the EAR, which establishes guidelines to assist exporters, reexporters and transferors of items subject to the EAR to determine whether a foreign entity is captured under the Affiliates Rule. Using these guidelines, we have prepared Table 1 below as a quick reference for identifying the new requirements under the Affiliates Rule.

Table 1 – Transaction Scenarios and Licensing

Requirements Under the Affiliates Rule

Scenario	Ownership/Combination	BIS License Requirement	Amplifying Notes
Unlisted foreign entity owned ≥ 50% by Entity List party	Directly or indirectly, individually or in aggregate	Treated as if itself on the Entity List	Same restrictions as parent entity apply
Unlisted foreign entity owned ≥ 50% by MEU List party	Directly or indirectly, individually or in aggregate	Treated as if itself is an MEU	Same restrictions as parent MEU entity apply
Unlisted foreign entity owned ≥ 50% by an SDN*	Directly or indirectly, individually or in aggregate	Treated as if itself an SDN*	Same restrictions as the SDN owner
Unlisted foreign entity owned ≥ 50% (in aggregate) by multiple restricted entities (Entity List, MEU List, SDN List*)	Mixed ownership (e.g., 25% Entity List + 25% MEU List or 25% Entity List Party A + 25% Entity List Party B)	Subject to most restrictive license requirements, license exception eligibility and license review policy of its restricted party list owners	Exporter must apply the strictest set of restrictions applicable to any owner
Foreign entity with ownership that cannot be determined (potential ownership by restricted party)	Unknown/unresolved ownership structure	Exporter must either resolve Red Flag (New Red Flag 29, supplement No. 3 to Part 732) or obtain a license from BIS	Cannot proceed with export, reexport or transfer until percentage of ownership determined or license obtained
Foreign entity with < 50% ownership by Entity List, MEU List or SDN party*	Direct or indirect ownership below the 50% threshold	Not automatically restricted under Affiliates Rule	Exporters must conduct enhanced due diligence due to: • Risk of foreign entity's future designation • Risk of diversion • Applicable end-use/end-user restrictions under Part 744 of the EAR
Parent entities of listed entities (not themselves listed)	Parent company of a listed subsidiary	Not automatically restricted under Affiliates Rule	Same due diligence considerations as above

***Applicable for the SDN identifiers listed in § 744.8(a)(1) of the EAR**

Temporary General License

The Affiliates Rule adds General Order No. 7 under supplement no. 1 to Part 736 of the EAR, creating a temporary general license (TGL) to overcome the IFR's new license requirements in certain situations for a period of 60 days, set to expire on November 28, 2025.

Table 2 – Temporary General License Applicability

Scenario	Destination
A transaction party is a foreign entity described in Rows 1-4 of Table 1	To or within Country Group A:5 or A:6 (see supplement No. 1 to Part 740 of the EAR)
A transaction party is a foreign entity described in rows 1-4 of Table 1 Foreign entity is a joint venture with a nonlisted entity headquartered in the US or Country Group A:5/A:6 (that itself is not ≥50% owned by listed or restricted entities)	To or within any destination other than Country Group E:1 or E:2 (e.g., Cuba, Iran, North Korea or Syria)

The TGL may only be utilized to overcome the license requirements described in §§ 744.11 and 744.21 of the EAR that apply to a nonlisted foreign affiliate and cannot be used to overcome a license requirement to or within a destination in listed in Country Group E:1 or E:2 (e.g., Cuba, Iran, North Korea or Syria).

Policy Overview

As described above, the Affiliate Rule extends restrictions under the EAR to any foreign affiliate that is 50% or more owned by a company already on the Entity List or the MEU List, borrowing from the OFAC's 50 percent ownership test used in the context of SDN listing designations under US sanctions law.

The rule is designed to block what US officials have seen as a common evasion tactic – establishing legally separate affiliates to continue operating despite being listed. Because Chinese firms account for more than 70% of the current Entity List, the impact will fall disproportionately on China's technology sector. By moving from an entity-specific model to one based on ownership, BIS has expanded the scope of restrictions to cover entire corporate families. For Chinese companies, this means that subsidiaries and affiliates – even those outside China – may suddenly fall within the EAR's reach.

This shift creates new obligations for exporters worldwide. Companies must trace ownership structures and avoid transactions with affiliates covered by the 50% rule. For Chinese firms, this raises the risk that suppliers and business partners may act defensively – slowing or halting shipments – especially where ownership structures are complex or opaque.

In combination with the FDP Rules, the new Affiliates Rule could substantially widen the reach of US export controls by capturing majority-owned foreign affiliates of listed Chinese firms that rely on US-origin technology, software or equipment. Treating these subsidiaries as extensions of their parent companies may prompt suppliers in jurisdictions such as Taiwan, South Korea or the Netherlands to disengage to avoid liability, driving heightened defensive compliance and restricting China's access to semiconductors, AI hardware and other critical inputs more thoroughly than has been achievable to date.

Geopolitical Context

The Affiliates Rule comes at a delicate moment in US-China relations. On September 19, just days before its release, President Trump and President Xi spoke by phone, with progress on TikTok setting the stage for a bilateral meeting at the APEC summit in Gyeongju, South Korea (October 28-31, 2025). Trump's September 25 approval of a US$14 billion TikTok joint venture seemed to reinforce that cooperative tone.

The new restrictions, however, move in the opposite direction. As of this writing, the Chinese government's reaction to this rule – and its impact on the widely anticipated meeting between the heads of state – are unknown. But future retaliation could very well extend to major US firms with strong ties to China's technology sector, complicating trade and undermining cooperation in other areas.

Strategically, the rule reflects Washington's "small yard, high fence" approach to technology controls. Yet Beijing continues to demonstrate resilience – advancing next-generation AI chips, insulating key supply chains and pressing toward technological self-sufficiency even as external restrictions tighten. Over time, the rule may accelerate supply-chain realignments toward India, Vietnam and other countries, while deepening divides between the US and BRICS-aligned states.

Implementation Challenges

BIS' ability to administer the rule remains uncertain. Between September 2024 and March 2025, the Commerce Department's workforce declined by roughly 1,032 employees, or just over 2%, underscoring the strain BIS faces in implementing new rules under reduced staffing levels. While some rehiring has begun especially after widespread cuts by the Department of Government Efficiency (DOGE), a September 24 directive from the Office of Management and Budget (OMB) requiring reduction-in-force planning in connection with an expected shutdown of the US federal government this week, has added to the uncertainty.

In this environment, BIS anticipates a sharp increase in license applications along with more complex verification and enforcement demands. Tracing ownership through layered and opaque Chinese corporate structures will be particularly challenging. The likely outcome is heightened derisking by US and allied companies – suppliers erring on the side of caution, imposing stricter documentation requirements or refusing shipments altogether. While continued shaping of the rule may result through the end of the comment period late next month, even where ownership connections are indirect, Chinese firms may want to prepare for shipment delays, denials and contract cancellations arising from its implementation.

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