



(a) The state shall withhold funding for a state-supported institution of higher education that has a Confucius Institute or similar institute related to the People's Republic of China, including without limitation a Chinese cultural center.

(b)(1) A state-supported institution of higher education shall certify annually that the state-supported institution of higher education does not have a prohibited institution described in subsection (a) of this section.

(2) A state-supported institution of higher education shall abolish any existing Confucius Institute or similar institute related to the People's Republic of China by December 31, 2025.

(3) If a state-supported institution of higher education does not certify that it does not have a prohibited institution as required by subdivision (b)(1) of this section, state funding for the state-supported institution of higher education shall be withheld.

6-60-124. Prohibited investments.

A state-supported institution of higher education shall not invest in a Chinese company or a restricted investment product consistent with § 25-1-1301 et seq.

SECTION 2. Arkansas Code Title 14, Chapter 1, Subchapter 1, is amended to add an additional section to read as follows:

14-1-111. Certain sister cities prohibited – Definition.

(a) As used in this section, "prohibited foreign party" means a:

(1) Citizen or resident of a country subject to International Traffic in Arms Regulations, 22 C.F.R. § 126.1, as existing on January 1, 2025;

(2) Foreign government formed within a country subject to International Traffic in Arms Regulations, 22 C.F.R. § 126.1, as existing on January 1, 2025; or

(3) Party other than an individual or a government that is created or organized under the laws of a foreign government within a country subject to International Traffic in Arms Regulations, 22 C.F.R. § 126.1, as existing on January 1, 2025.

(b) A municipality shall not form a sister city with a prohibited foreign party.

(c) A sister city formed between a municipality and a prohibited foreign party before the effective date of this section shall be terminated.

SECTION 3. Arkansas Code Title 25, Chapter 1, is amended to add an additional subchapter to read as follows:

Subchapter 13 – Investment of Funds in Chinese Company

25-1-1301. Definitions.

As used in this subchapter:

(1)(A) “Chinese company” means a company, other than a United States person or United States subsidiary as defined by 15 C.F.R. § 772.1, as it existed on January 1, 2025, that:

(i) Is domiciled, incorporated, issued, or listed in the People’s Republic of China;

(ii) Is headquartered in the People’s Republic of China;

(iii) Has its principal place of business in the People’s Republic of China;

(iv) Is controlled by the government of the People’s Republic of China, the Communist Party of China, the People’s Liberation Army, or any instrumentality thereof, including without limitation the State-owned Assets Supervision and Administration Commission of the State Council or the National Social Security Fund; or

(v) Is majority-owned by an entity controlled by the government of the People’s Republic of China, the Communist Party of China, the People’s Liberation Army, or any instrumentality thereof, including the State-owned Assets Supervision and Administration Commission of the State Council or the National Social Security Fund.

(B) “Chinese company” does not include a parent company that has one (1) or more subsidiaries or affiliates that meet the definition under subdivision (1)(A) of this section if the parent company does not:

(i) Meet the criteria in subdivision (1)(A); and

(ii) Recognize more than fifty percent (50%) of the total annual global revenue of the parent company and subsidiaries from The People’s Republic of China and Hong Kong Special Administrative Region combined;

(2) “Company” means a sole proprietorship, organization, association, corporation, partnership, joint venture, limited partnership, limited liability partnership, limited liability company, or any other entity or business association, including without limitation all wholly-owned subsidiaries, majority-owned subsidiaries, and parent companies, or an affiliate that exists for the purpose of making a profit;

(3) “Control” means:

(A) The same as defined in the Investment Company Act of 1940, 15 U.S.C. § 80a-2, as it existed on January 1, 2025; or

(B) Involvement in an entity’s governance structure, monitoring, or internal human resources decisions of an entity;

(4) “Fiduciary” means a person who:

(A) Exercises authority to invest or manage the assets of a state or local fund;

(B) Provides investment advice for a fee or other direct or indirect compensation with respect to the assets of a state or local fund or has authority or responsibility to provide investment advice; or

(C) Is a member of a public investment entity;

(5) “Investment product” means a commingled fund or a collective investment, including without limitation a mutual fund or an index fund, in which a public investment entity, state fund, or local fund together with one (1) or more other investors share ownership or interest in the investments;

(6) “Private equity” means an asset class consisting of equity or debt in companies or real property that are not publicly traded on a listed stock exchange, whether owned directly by a public investment entity or indirectly through a limited partnership or other company;

(7) “Public investment entity” means:

(A) A state or local board, political subdivision, or other governing body within the state other than an individually directed defined contribution plan that is responsible for investing or managing a state or local fund, including without limitation public pension funds;

(B) Public retirement funds;

(C) City, county, or other local or municipal entity investment funds;

(D) Institution of higher education public funds or a qualified tuition program under 26 U.S.C. § 529, as it existed on January 1,

2025;

(E) The Treasurer of State; and

(F) Other state-sponsored funds;

(8) "Restricted investment product" means an investment in a Chinese company or an investment product that holds one (1) or more publicly-traded investments in a Chinese company; and

(9) "Venture capital" means an investment of capital to a business at any stage of its development before the business makes a public offering of stock.

25-1-1302. Prohibited investments.

(a) Notwithstanding any other statutes, except as provided in § 25-1-1305, this subchapter restricts the investment and financial decisions of all public investment entities.

(b) A public investment entity, a service provider contracted by a public investment entity, and all other fiduciaries shall not knowingly:

(1) Invest state or local funds in a Chinese company or restricted investment product after the effective date of this subchapter; or

(2) Deposit state or local funds in a Chinese company that is a bank or financial institution after the effective date of this subchapter.

25-1-1303. Reporting requirements.

(a) Within six (6) months of the effective date of this subchapter and at least annually each year before July 1, a public investment entity shall:

(1) Make a good faith effort to identify all investments in a Chinese company or restricted investment product.

(A) The good faith effort to identify all investments required under subdivision (1) of this section shall include at least one (1) of the following:

(i) A review of publicly available information on where companies are incorporated, headquartered, and conduct business, including without limitation information provided by non-profit organizations, research firms, and government entities;

(ii) Contact with asset managers or other applicable service providers contracted by the public investment entity for information on investments the service provider has made on behalf of the public

investment entity;

(iii) Use of an independent research firm for assistance; or

(iv) Reliance on the representations of an investment manager, investment advisor, or investment index provider as to the identification of a Chinese company within an investment product; and

(2) Publish a report listing all the Chinese companies or restricted investment products in which the public investment entity currently has investments.

(b) If a public investment entity has determined the public investment entity has no investments required to be reported under subsection (a) of this section, the public investment entity shall file a report indicating that there are no investments to report.

25-1-1304. Mandatory divestment.

(a)(1) If a public investment entity reports an investment in a Chinese company or a restricted investment product under § 25-1-1303, the public investment entity shall establish a plan to divest from the Chinese company or restricted investment product.

(2) The public investment entity shall complete the divestment required under subdivision (a)(1) of this section as soon as financially prudent.

(3) Notwithstanding subdivision (a)(2) of this section, a public investment entity shall remove one hundred percent (100%) of investments in a Chinese company or a restricted investment product from a fund's assets within twelve (12) months after the public investment entity first reports the investment in the Chinese company or restricted investment product.

(b) Divestment as required by subsection (a) of this section is not required from a restricted investment product if:

(1) Less than one percent (1%) of the value of the restricted investment product is made up of investments in Chinese companies; or

(2) The cost over the next five (5) years to the public investment entity of divesting from the restricted investment product is greater than one percent (1%) of the value of the public investment entity's total investment portfolio.

(c)(1) If an investment is subject to divestment under this subchapter

but is locked into a maturity date and an early divestment would result in a financial penalty or loss and cause a negative financial impact to the state, the investment is exempt from divestiture under this subchapter in order to prevent financial harm to the state and to ensure that the fiduciary duty for the state is met.

(2) Exemption from divestiture under subdivision (c)(1) of this section shall extend no more than twelve (12) months after the maturity date or after the date on which the divestment would not result in a financial penalty or loss, whichever occurs first.

25-1-1305. Exemption for private equity and venture capital investments.

(a) This subchapter does not restrict a private equity or venture capital investment made in a Chinese company before the effective date of this subchapter.

(b) After the effective date of this subchapter, a public investment entity, a service provider contracted by a public investment entity, or any other fiduciary shall not enter a private equity or venture capital investment in a Chinese company.

25-1-1306. Conflicts.

With respect to an action taken in compliance with this subchapter, including without limitation all good faith determinations regarding investing in a Chinese company or restricted investment product, a public investment entity is exempt from any conflicting state statutory or common law obligations, including without limitation an obligation regarding the choice of an asset manager, investment fund, or investment of a fund investment portfolio.

25-1-1307. Immunity.

(a) The state and its officers, agents, and employees and a public investment entity and its board members, executive director, officers, agents, and employees are immune from civil liability for any act or omission related to the removal of an asset from a fund under this subchapter.

(b) In addition to the immunity provided under subsection (a) of this section, an officer, agent, and employee of the state and a board member,

executive director, officer, agent, and employee of a public investment entity are entitled to indemnification from the public investment entity for all losses, costs, and expenses, including without limitation reasonable attorney's fees associated with defending against a claim or suit relating to this subchapter.

25-1-1308. Severability.

If any provision of this subchapter or the application of this subchapter to any person or circumstance is held invalid, the invalidity shall not affect other provisions or applications of this subchapter which can be given effect without the invalid provision or application, and to this end, the provisions of this subchapter are declared severable.

*/s/Beaty Jr.*

**APPROVED: 4/21/25**