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On October 22, 2026, the U.S. Department of the Treasury (“Treasury Department”) issued a Notice of Proposed Rulemaking (“NPRM”) that proposes to solidify and significantly expand the U.S. Outbound Investment Rule (“OIR”) program in accordance with the requirements of the Comprehensive Outbound Investment National Security (“COINS”) Act of 2025. The proposed regulations would continue the current OIR regulatory framework, including the various exceptions, while greatly expanding the industry sectors subject to the rule. Of particular importance, the proposed regulations would include hypersonic and advanced aerospace systems as well as certain biotechnologies. The NPRM also would broaden the scope of the semiconductor, artificial intelligence and quantum computing technologies currently covered by the OIR. Finally, the NPRM would include Russia, Iran, Cuba and North Korea as “countries of concern” subject to the OIR. Comments on the proposed regulations are due no later than December 7, 2026, and final regulations are not expected until Q1 2027.

As discussed below, the proposed regulations would have significant impacts on existing and future investment transactions by U.S. companies and investors into China and the other identified countries of concern. By adding two new industry sectors, and significantly expanding the depth and breadth of the existing industry sectors covered by the OIR, the NPRM would sweep in a variety of investments that previously were permitted or did not require a notification to the Treasury Department. To ensure that they do not run afoul of the expanded OIR, and given the Treasury Department’s recent focus on OIR enforcement, U.S. investors and lenders will need to undertake additional and detailed diligence activities on investment targets and document this diligence for record-keeping purposes. These enhanced diligence requirements will also need to be factored into transaction timelines.

From a policy perspective, issuance of the NPRM underscores the U.S. government’s continued focus on ensuring that U.S. investors do not pursue investments in China and other countries of concern that could facilitate advancements in sensitive technologies and industry sectors in those countries. It also highlights the ongoing shift in U.S. economic policy, moving beyond traditional trade and export controls to include the active oversight of financial and intellectual capital flows that could indirectly enhance the strategic capabilities of U.S. adversaries. This paradigm shift signifies that the U.S. government considers outbound capital investment as not merely a commercial activity, but a core national security issue that must be actively regulated and monitored.

The U.S. Outbound Investment Rule

The OIR regulatory framework was established in 2023 by Executive Order to govern certain outbound U.S. capital investments into China and other countries of concern. The OIR employs a dual-pronged approach, categorizing covered investments based on U.S. national security risk. Investments and related transactions with companies operating in a narrow subset of highly advanced technology industry sectors are outright prohibited under the OIR. Companies in these sectors include those that develop, design or produce highly advanced artificial intelligence systems, semiconductor and quantum computing products and technologies. A broader set of investment transactions into China are permitted but require advance notification to the Treasury Department. The companies covered by these notification requirements include those developing, designing or producing less advanced artificial intelligence and semiconductor products and technologies.

The current program applies to investment transactions undertaken by “U.S. persons”—defined broadly to include U.S. citizens, permanent residents and U.S.-based entities—and is focused on companies based in China (including Hong Kong and Macau) or companies located elsewhere that are ultimately owned or controlled by Chinese entities or nationals. Finally, the OIR generally applies only to equity investments into the companies covered by the rule or joint ventures undertaken by U.S. persons with non-U.S. entities covered by the rule, and does not cover conventional lending transactions.

Key Differences: Expanded Scope

At a high level, the NPRM seeks to expand the scope of the OIR without altering the overarching framework or purpose of the current OIR regulations. It would continue the existing dual-pronged framework by prohibiting certain investment transactions in identified industry sectors while requiring notification of investments into other sectors. It also proposes to maintain the existing OIR exceptions, including those related to traditional debt financing arrangements, investments in publicly traded securities and passive limited partner investments. Importantly, however, the NPRM proposes to subject two new industry sectors to the OIR while significantly expanding the products and technologies within the industry sectors already subject to the rule.

New Industry Sectors

The core of the NPRM lies in the inclusion of two new industry sectors deemed critical to U.S. national security. In accordance with the requirements of the COINS Act, these sectors target commercial technologies that adversarial countries could rapidly transition from civilian applications to military or intelligence purposes. The new industry sectors that the NPRM proposes to capture under the OIR's scope include the following:

- Hypersonic and Propulsion Systems and Related Materials and Infrastructure. The proposed regulations would bring hypersonic systems and related materials and infrastructure within the OIR. Depending on the specific nature of the products and technologies, investments into these industry sectors would either be prohibited or notifiable. The specific hypersonic systems that would be covered would include a vehicle or weapon delivery system capable of sustained atmospheric flight or very low Earth orbit flight at speeds of Mach 5 or greater. The NPRM identifies hypersonic glide vehicles, cruise missiles, air-launched or aero-ballistic missiles, maneuvering reentry vehicles and reusable vehicles as examples of hypersonic systems that would be covered by the rule. The NPRM also proposes to cover investment transactions in a broad array of companies developing or producing various materials and infrastructure used in connection with hypersonic systems, including refractory metals or alloys, ultra-high temperature ceramics, stealth coatings, hypersonic testing facilities and modeling or simulation technologies.
- Biotechnologies. Recognizing the convergence of biology and advanced data processing, the NPRM proposes to include investment transactions in companies designing and developing a broad array of advanced biotechnologies and bio-derived compounds or materials. The specific companies that would be covered under the expanded OIR would include those designing or developing genetic sequencing technologies, advanced biomanufacturing equipment and facilities, brain-computer interfaces, pharmaceutical compounds, bioinformatics tools and biofuels. Under the proposed regulations, investments in companies dealing in these products and technologies would be outright prohibited.

Expansion of Existing Covered Industry Sectors

In addition to adding the above new industry sectors, the NPRM also expands the categories of products and technologies that would be included under the OIR for the artificial intelligence, semiconductor and quantum computing sectors currently covered by the rule. The specific expansions for each of these sectors are largely defined by granular technical parameters and nuanced assessments of whether particular technologies are subject to control under U.S. export control regimes. This would require U.S. investors to undertake additional diligence to determine whether target companies deal in any of the relevant technologies and products falling within the scope of the OIR's expanded jurisdiction. A high-level overview of these changes is set forth below:

- Artificial Intelligence. The NPRM proposes sweeping revisions to the OIR's coverage of investments undertaken in companies developing advanced AI systems (now termed "super intelligence systems" or "SI systems" under the rule). Of particular importance, the NPRM proposes to outright prohibit all investments involving covered AI systems, representing a significant shift from the current OIR framework, under which many AI-related investments are merely subject to a notification requirement. The proposed regulations would also substantially expand the scope of covered AI-related systems and technologies and remove the existing limitation that restricts the OIR's current prohibition to AI systems designed exclusively for military or government intelligence or mass-surveillance end uses.
- Semiconductors. In addition to the prohibition on investments in companies that design and develop certain advanced integrated circuits and packaging techniques, the NPRM proposes to include companies designing and developing high-bandwidth memory technologies as well as radiation-hardened and photonic integrated circuits. The NPRM also expands the scope of notifiable semiconductor activities to include companies involved in the "high-level oversight, direction, approval, conceptual input, or strategic planning" of any integrated circuit.

- Quantum Technologies. The NPRM would expand the existing prohibition on investments in companies designing and developing quantum computer technologies to include any companies developing algorithms or applications for quantum computing.

New and Adjusted Excepted Transactions

The NPRM would retain most of the exceptions currently available under the OIR, while narrowing others and introducing new excepted transaction categories. In particular, the NPRM would limit the scope of the existing exceptions for publicly traded securities, securities issued by investment companies, LP interests and derivatives. Under the proposed rule, these exceptions would no longer apply where the transaction affords the U.S. person governance rights beyond standard minority shareholder protections. The NPRM would also narrow the existing “buyout” exception, which currently applies where a U.S. person acquires the total interest held by a single covered foreign person. Under the proposed rule, the exception would apply only if the U.S. person acquires all interests held by all covered foreign persons such that, following the transaction, the target entity would no longer constitute a covered foreign person. Additionally, the NPRM would introduce several new excepted transaction categories, including:

- Secondary Transactions. Certain ancillary transactions conducted by financial institutions would be excluded from the scope of the OIR. These include underwriting initial public offerings (defined as the “temporary acquisition of an equity interest for the purpose of facilitating underwriting services”), payment processing and clearing activities, bank lending, debt and credit rating services, prime brokerage services, global custody services and equity research and analysis.
- De Minimis Transactions. Notifiable transactions with a value of \$50,000 or less, aggregated across the preceding 12 months, would be exempt from the OIR.
- Any Ordinary or Administrative Business Transactions. The NPRM would add an exception for “any ordinary or administrative business” transactions, although the proposed rule does not currently define the scope of this exception.

Conclusion

If adopted as proposed, the NPRM would significantly expand the jurisdictional scope of the OIR to cover new industry sectors and technologies. Given this expansion, and the Treasury Department’s increased focus on OIR enforcement efforts, U.S. investors should consider undertaking more extensive and rigorous diligence efforts in connection with any outbound U.S. investments into China or other countries of concern to ensure that they comply with the expanded OIR.

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