



D DREW & NAPIER

**NVIDIA AI CHIPS
AND U.S. EXPORT
CONTROLS:
HEIGHTENED
COMPLIANCE RISKS
FOR SINGAPORE
BUSINESSES**

18 August 2025

**LEGAL
UPDATE**

In this Update

Recent reports indicate over USD 1 billion worth of Nvidia's advanced AI chips have been smuggled into China notwithstanding robust U.S. export controls, with Southeast Asia emerging as a key intermediary in such supply chains.

Given this development, we anticipate that enforcement activities and international cooperation between Singapore and the U.S. will intensify amid increasing geopolitical sensitivities. Singapore-based companies may face heightened scrutiny under both the U.S. export controls regime and Singapore's domestic laws, including the *Regulation of Imports and Exports Act 1995*, *Strategic Goods (Control) Act 2002*, and *Penal Code 1871*.

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I. BACKGROUND

In our [previous update](#), we examined the implications of U.S. export controls in the context of Huawei's latest Ascend 910B, 910C, and 910D AI processor chips. That update outlined the key features of the U.S. Export Administration Regulations ("**EAR**"), with particular focus on the extraterritorial enforcement measures adopted by the U.S. Bureau of Industry and Security, and the relevant criminal offences under Singapore law that may arise in such contexts.

The present update considers recent developments involving Nvidia's advanced AI chips, which further illustrate the persistent and evolving challenges posed by U.S. export controls, as well as the increasing compliance risks faced by companies operating in Singapore and throughout Southeast Asia.

II. REPORTED SMUGGLING OF NVIDIA B200, H100, AND H200 PROCESSORS INTO CHINA

On 26 July 2025, the Financial Times Asia reported that over the past year, at least USD 1 billion worth of Nvidia's advanced AI chips, including the B200, H100, and H200 high-performance processors, have been smuggled into China. These chips are critical components for artificial intelligence development and military technologies, and are subject to stringent U.S. export controls aimed at restricting China's access to such technology in order to slow its advancement in the global AI arms race.

Despite U.S. export controls, the Financial Times Asia investigation found that a flourishing black market has emerged for the sale of these chips. Chinese tech companies, including major cloud service providers such as AliCloud, Huoshan Cloud, and Baidu Cloud, appear to be linked to Chinese companies who are openly selling such advanced AI chips (even if it has been expressly denied by them). The Financial Times Asia report further noted that many of these supply chains are routed through Southeast Asia ("**SEA**").

This development reflects a broader trend in which companies are actively pursuing alternative means of procuring Nvidia's advanced AI chips while purporting to remain in compliance with the U.S. EAR. Complex, multi-jurisdictional transactions have been utilised to evade U.S. export controls. Such arrangements frequently involve sophisticated supply chains intended to obscure the ultimate destination or end-use of controlled goods, thereby posing significant challenges to enforcement efforts at both the national and international levels.

III. LEGAL IMPLICATIONS OF COMPANIES OPERATING IN SINGAPORE

Singapore-based companies involved in transshipment, logistics, or regional distribution are likely to encounter heightened scrutiny, given SEA's role as an intermediary in global semiconductor supply chains. Key legal risks include:

- Potential U.S. extraterritorial enforcement risk: Transactions involving Nvidia's advanced AI chips may be seen as violations of the U.S. EAR, exposing companies to extraterritorial enforcement measures by U.S. authorities; and
- Exposure under Singapore domestic laws: Separately, companies may face liability under Singapore's own domestic laws.

As discussed in our [previous update](#), the U.S. EAR has broad extraterritorial reach. It imposes compliance obligations on any person or entity, regardless of nationality or physical nexus to the United States, where the transaction involves items subject to the EAR. This includes the export or transfer of "*U.S. origin items wherever located*" (as set out in § 734.3(a) of the Code of Federal Regulations), which is sufficiently wide to encompass Nvidia's advanced AI chips.

While Singapore is not legally obliged to enforce the unilateral export control measures of other countries (including the U.S. EAR), the Singapore Government has emphasized that it expects businesses operating in Singapore to take into account the implications of other countries' export controls on their international business activities. This position is reinforced by Circular No. 01/2025 (issued jointly by the Singapore Ministry of Trade and Industry, as well as the Singapore Customs), which expressly states that Singapore "*does not condone businesses deliberately using their association with Singapore to circumvent or violate the export controls of other countries*".¹

The Singapore government works closely with its foreign counterparts, including the U.S., to address their concerns about violations of their export controls rules to the extent permissible under Singapore law. The Singapore government has stated that in response to such concerns they would "*certainly facilitate investigations, or at least take a deeper look at the data to see whether there is any cause for concern*".²

¹ See Singapore Customs and Ministry of Trade and Industry, Joint Advisory: Export Controls On Advanced Semiconductor And Artificial Intelligence (AI) Technologies, Circular No. 01/2025 (4 April 2025) at [4], accessible at https://www.customs.gov.sg/files/news-and-media/Circular_01_2025_Ver1_.pdf

² See Singapore Ministry of Foreign Affairs, Minister for Foreign Affairs Dr Vivian Balakrishnan's Oral Reply to Supplementary Question on Singapore's Role as an International Trading Hub (18 February 2025) at [4], accessible at <https://www.mfa.gov.sg/Newsroom/Press-Statements-Transcripts-and-Photos/2025/02/Oral-reply-to-SQ>

Given the Financial Times Asia's revelation about SEA's role as an intermediary in shipments of Nvidia's advanced AI chips to China, it is anticipated that enforcement activities and international cooperation between Singapore and foreign authorities will intensify amid increasing geopolitical sensitivities. Indeed, Singapore's enhanced cooperation with U.S. enforcement agencies is evidenced by the February 2025 incident in which two Singaporeans and one Chinese national were charged with fraud by false representations, concerning the final destination of several servers containing Nvidia chips (the "**Nvidia Chips Incident**"). This incident aligns with broader regional enforcement trends where among other things, the US has been asking Malaysia to make sure "*that [they] monitor every shipment that comes to Malaysia when it involves Nvidia chips*".³

Against this backdrop, it is apposite to consider the Singapore legal framework applicable to:

- the import of Nvidia's advanced AI chips into Singapore; and
- the export, transshipment, or transit of Nvidia's advanced AI chips from Singapore to other jurisdictions like China.

Set out below is a high-level overview of the possible regulations that may apply in this context.

A. Import of Nvidia's advanced AI chips into Singapore: The Regulation of Imports and Exports Act 1995 and its accompanying Regulations

The import of Nvidia's advanced AI chips into Singapore from other countries is regulated under the *Regulation of Imports and Exports Act 1995* ("**RIEA**") and the *Regulation of Imports and Exports Regulations* ("**RIER**").

Requirement for import permit

Companies importing Nvidia's advanced AI chips into Singapore from overseas will generally need to obtain an import permit from Singapore Customs. The import permit serves as an administrative safeguard, ensuring that all goods entering Singapore are properly declared, recorded, and cleared through Singapore Customs.

While the *RIER* prescribes certain exemptions to the import permit requirement, these are unlikely to apply in cases where Nvidia's advanced AI chips are concerned.

Notably, the process for obtaining an import permit under Singapore law does not entail an assessment of the importer's compliance with foreign

³ See Channel NewsAsia, Malaysia to tighten semiconductor regulations under US pressure: Report (24 March 2025), accessible at <https://www.channelnewsasia.com/asia/malaysia-tightens-semiconductors-regulation-us-pressure-nvidia-chips-5019731>

export control regimes, including the U.S. EAR. However, such foreign laws may nevertheless be relevant to whether the foreign exporter is authorised to export Nvidia's advanced AI chips out of their respective country in the first instance.

Possible requirement for an import certificate

As explained above, foreign export control regimes may be relevant to whether a foreign exporter is authorised to even export Nvidia's advanced AI chips out of their respective country to begin with. In some cases, foreign exporters may require the Singapore importer to obtain an international import certificate ("IIC") from Singapore Customs. This may be a prerequisite for the exporter to secure an export licence from the authorities in their own country, so as to export Nvidia's advanced AI chips to Singapore.

An IIC is intended to complement the export control regime of the foreign exporting country. It serves as an assurance that the Singapore authorities have no objection to the proposed import of the specific goods to Singapore for the stated end-use and to the stated end-user.

In applying for an IIC from Singapore Customs, the application must be made by the importer, regardless of whether they are the end-user or not. The application for an IIC must specify:

- the quantity, value, and a full technical description of the goods;
- the name and address of the end-user; and
- any additional undertakings or information as requested by Singapore Customs.

The application for an IIC must also be accompanied by a declaration from the foreign exporter confirming that the goods are subject to export controls in the exporting country, along with any other information Singapore Customs may require.

B. Export of Nvidia's advanced AI chips out of Singapore to other countries, including China: The Strategic Goods (Control) Act 2002 and its accompanying Regulations

The export, transshipment or bringing in transit of Nvidia's advanced AI chips out of Singapore is governed by the *Strategic Goods (Control) Act 2002* ("SGCA"), *Strategic Goods (Control) Regulations* ("SGCR") and the *Strategic Goods (Control) Order 2024* ("SGCO").

The SGCA is intended to apply to "*strategic goods*," as defined under the SGCO. In particular, under Category 4A003 of the SGCO, digital computers having an "Adjusted Peak Performance" exceeding 70 Weighted TeraFLOPS are considered strategic goods. Nvidia's advanced AI chips

which exceed these defined technical thresholds can constitute strategic goods and would accordingly fall within the ambit of the SGCA.

Requirement for export permit

No person may export, transship, or bring in transit any strategic goods unless such acts are authorised by a permit. As part of the application process, Singapore Customs may require a company to provide certain information or documents as they require, including:

- any manual, brochure, data sheet or other document containing such technical information or specifications in respect of the goods, document or technology in respect of which the application is made as is considered necessary;
- the end-user certificate or statement; and
- where the goods, document or technology in respect of which the application is made is to be brought into Singapore, or transmitted, from an exporting country and the export or transmission of the goods, document or technology from that country or its acquisition or disposal is regulated by that country, the document issued by the relevant authority of that country authorising such export, transmission, acquisition or disposal, as the case may be.

The Singapore Customs can reject any permit application on several grounds, including but not limited to:

- Applicant contravened the RIEA/RIER: If the applicant has been convicted of an offence under the RIEA/RIER, Singapore Customs can reject an export permit application;
- Public interest or national security: If the export is likely to further activities contrary to Singapore's public interest or national security, a permit application can be rejected. Given U.S. efforts to restrict certain countries' access to Nvidia's advanced AI chips, the Singapore Customs may see such exports that bypass the U.S. EAR as a public interest/national security threat, particularly if this risks adverse U.S. retaliatory measures impacting Singapore's access to advanced technology;
- Lack of prior approval from exporting country's authority: If goods, documents, or technology are brought/transmitted into Singapore from a country that regulates their export, transmission, acquisition, or disposal, and approval from that country's relevant authority has not been obtained, Singapore Customs can reject an export permit application. For instance, if Nvidia's advanced AI chips were exported from the U.S. to China with Singapore as a transit point, and the export of Nvidia's advanced AI chips from the U.S. to Singapore is not in accordance with the U.S. EAR, Singapore Customs can reject any

export permit application for the export of Nvidia's advanced AI chips from Singapore under this ground;

- Cannot furnish necessary document/information: If the applicant refuses or cannot furnish the necessary document or information as Singapore Customs requires, Singapore Customs can reject an export permit application; and
- False or misleading information: If the applicant has, in connection with their export permit application, provided any information/document that is false or misleading, Singapore Customs can reject an export permit application.

C. The Penal Code 1871

In addition to the *RIEA* and *SGCA*, the *Penal Code 1871* (“**PC**”) provisions may also apply if there has been any offence committed by companies trying to disguise their movement of Nvidia's advanced AI chips.

For example, in the Nvidia Chips Incident the parties in question were prosecuted under Section 424B of the *PC*. They faced the allegation that they had falsely declared the final destination of several servers containing advanced Nvidia chips.

In our [previous update](#), we also highlighted other offences which may be triggered under the *PC* if Singapore-based companies deployed concealment strategies to disguise their trade of Nvidia's advanced AI chips.

IV. CONCLUSION

Despite the imposition of stringent U.S. export controls, Nvidia's advanced AI chips continue to find their way to Chinese end-users via supply chains in SEA. This trend may prompt intensified enforcement actions and deeper cross-border cooperation between U.S. and SEA authorities in the coming years.

To mitigate legal and operational risks, Singapore-based companies should adopt robust compliance frameworks addressing both U.S. export control regimes and Singapore's domestic laws. Practices such as “white-labelling” or concealing the ultimate end-user of such advanced AI chips may give rise to serious criminal liability under the *RIEA*, *SGCA* and/or *PC*. Prudent measures that Singapore-based companies could adopt include conducting forensic supply chain mapping to identify high-risk counterparties, implementing rigorous transaction screening protocols, and obtaining legal advice to assess and clarify their compliance obligations.

The situation is developing rapidly and subject to change. Notably, on 11 August 2025, President Trump indicated that he would consider letting

Nvidia sell a more advanced AI chip to China, beyond the currently authorised H20 processor. Such a policy shift would materially alter the scope and applicability of existing U.S. export controls, and have consequential implications for regulatory compliance within Singapore. We will continually monitor these developments for our clients.

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