

Press Release

SEC Adopts Amendments to Finalize Rules Relating to the Holding Foreign Companies Accountable Act

Rules Set Forth the Submission and Disclosure Requirements Mandated by the Act

FOR IMMEDIATE RELEASE

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Washington D.C., Dec. 2, 2021 — The Securities and Exchange Commission today adopted amendments to finalize rules implementing the submission and disclosure requirements in the Holding Foreign Companies Accountable Act (HFCAA). The rules apply to registrants the SEC identifies as having filed an annual report with an audit report issued by a registered public accounting firm that is located in a foreign jurisdiction and that the Public Company Accounting Oversight Board (PCAOB) is unable to inspect or investigate (Commission-Identified Issuers).

"We have a basic bargain in our securities regime, which came out of Congress on a bipartisan basis under the Sarbanes-Oxley Act of 2002. If you want to issue public securities in the U.S., the firms that audit your books have to be subject to inspection by the PCAOB," said SEC Chair Gary Gensler. "This final rule furthers the mandate that Congress laid out and gets to the heart of the SEC's mission to protect investors. The Commission and the PCAOB will continue to work together to ensure that the auditors of foreign companies accessing U.S. capital markets play by our rules. We hope foreign governments will, working with the PCAOB, take action to make that possible."

The final amendments require Commission-Identified Issuers to submit documentation to the SEC establishing that, if true, it is not owned or controlled by a governmental entity in the public accounting firm's foreign jurisdiction. The amendments also require that a Commission-Identified Issuer that is a "foreign issuer," as defined in Exchange Act Rule 3b-4, provide certain additional disclosures in its annual report for itself and any of its consolidated foreign operating

entities. Further, the release provides notice regarding the procedures the SEC has established to identify issuers and to impose trading prohibitions on the securities of certain Commission-Identified Issuers, as required by the HFCAA.

The SEC will identify Commission-Identified Issuers for fiscal years beginning after Dec. 18, 2020. A Commission-Identified Issuer will be required to comply with the submission and disclosure requirements in the annual report for each year in which it was identified. If a registrant is identified as a Commission-Identified Issuer based on its annual report for the fiscal year ended Dec. 31, 2021, the registrant will be required to comply with the submission or disclosure requirements in its annual report filing covering the fiscal year ended Dec. 31, 2022.

The adopting release will be published on SEC.gov and in the Federal Register.

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Related Materials

- [Final Rule](#)
- [Fact Sheet](#)