

## Statement

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# Statement Holding Foreign Companies Accountable Act: Final Amendments



Chair Gary Gensler

**Dec. 2, 2021**

Today, the Securities and Exchange Commission adopted final amendments to its rules implementing the Holding Foreign Companies Accountable Act of 2020 (HFCAA). Today's amendments finalize the interim final rules that the Commission adopted in March, which had addressed the submission and disclosure requirements of the HFCAA, with two modifications. First, they clarify how the requirements apply to variable interest entities. Second, they include requirements to tag information such as the auditor name and location. Today's release also establishes procedures the Commission will follow in identifying issuers and prohibiting trading by certain issuers under the Act.

This final rule furthers the mandate that Congress laid out and gets to the heart of the SEC's mission to protect investors.

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 Public Company Accounting Oversight Board (PCAOB). While more than 50 jurisdictions have worked with the PCAOB to allow the required inspections, two historically have not: China and Hong Kong.

Last year — once again on a bipartisan basis — Congress said that it's time for audit firms in all jurisdictions around the world to comply fully with Sarbanes-Oxley. The HFCAA mandated that, if governmental authorities don't allow the auditors of foreign companies to open their work papers to PCAOB inspection for three consecutive years, the securities of companies audited by those firms could be prohibited from trading in the U.S.

The finalized rules will allow investors to easily identify registrants whose auditing firms are located in a foreign jurisdiction that the PCAOB cannot completely inspect. Moreover, foreign issuers will be required to disclose the level of foreign government ownership in

those entities.

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.

I'd like to thank the following SEC staff for their diligent work on these final amendments: Renee Jones, Lisa Kohl, Betsy Murphy, Luna Bloom, and John Fieldsend in the Division of Corporation Finance; David Saltiel, David Shillman, Ted Venuti, Sarah Schandler, Terri Evans, Michael Ogershok, David Michehl, and Joanne Kim in the Division of Trading and Markets;

Brian Johnson and Blair Burnett in the Division of Investment Management; Bryant Morris, Janice Mitnick, Maureen Johansen, Ken Alc e, Marie-Louise Huth, Robert Teply, and Meridith Mitchell in the Office of the General Counsel; Jessica Wachter, Vlad Ivanov, and Chantal Hernandez in the Division of Economic and Risk Analysis; Natasha Guinan, Omid Harraf, and Shehzad Niazi in the Office of Chief Accountant; and Michael Hershafft in the Division of Examinations.