
SEC's Interim Final Rules Under Holding Foreign Companies Accountable Act Become Effective

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The Securities and Exchange Commission (the "SEC") has adopted interim final rules¹ to implement the Congressionally-mandated document submission and disclosure requirements of the Holding Foreign Companies Accountable Act (the "HFCA Act"), which became effective on May 5, 2021.

The HFCA Act was enacted to address certain concerns over registrants listed on U.S. securities exchanges whose audit reports are issued by registered public accounting firms with offices in foreign locations in which local authorities may prohibit complete inspection by the Public Company Accounting Oversight Board (the "PCAOB"). In particular, the HFCA Act is concerned with influence by Chinese authorities over accounting firms and contains specific references and disclosure requirements related to the Chinese Communist Party.

The HFCA Act requires, among other things, that the SEC identify these registrants (each, a "Commission-Identified Issuer"). Once identified, Commission-Identified Issuers are required to submit certain documents and make certain disclosures. If a foreign issuer is identified as a Commission-Identified Issuer (a "Commission-Identified Foreign Issuer"), then it is subject to additional disclosure requirements. In addition, if a registrant is identified as a Commission-Identified Issuer for three consecutive years, the HFCA Act directs the SEC to prohibit trading of the registrant's securities on U.S. exchanges

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